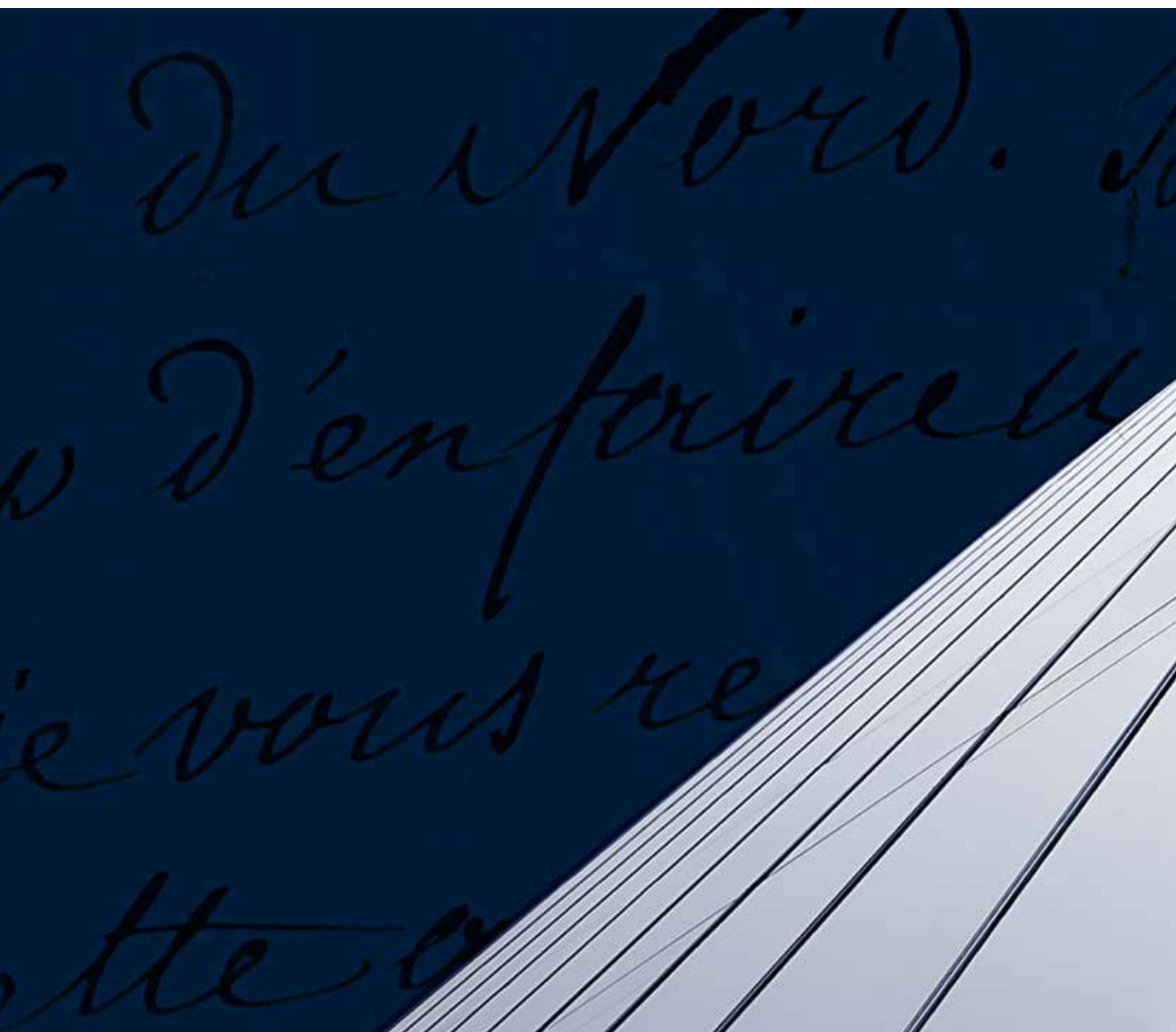


Rothschild & Co Bank AG



2018



Annual Report 2018
Rothschild & Co Bank AG

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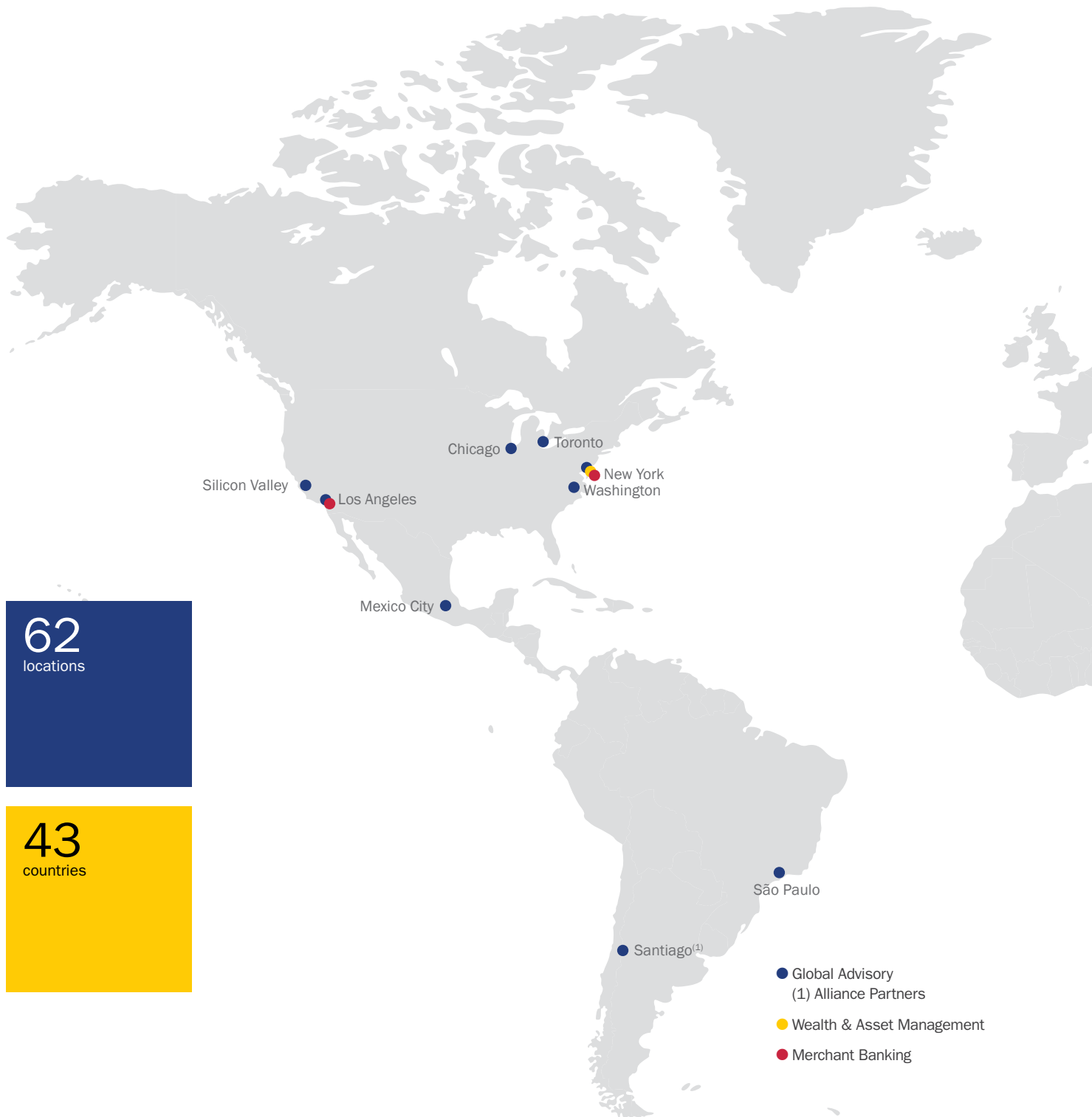
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Rothschild & Co world presence

An unrivalled network of specialists at the centre of the world's financial markets, combining scale with deep local knowledge





Key Figures consolidated

	31.12.2018 1000 CHF	31.12.2017 1000 CHF
Consolidated balance sheet		
Total shareholders' equity	274,713	264,841
Total assets	4,916,340	4,785,725
Consolidated income statement		
Net interest income	43,555	28,753
Net commission income	111,523	82,702
Results from trading operations	15,405	11,150
Total income	182,736	129,172
Total operating expenses	-139,432	-106,243
Gross profit	43,304	22,929
Gross profit per employee	97	51
Consolidated net profit/loss	38,346	11,763
Staff (average full-time positions)		
Staffing level domestic	350	357
Staffing level abroad	96	92
Total staffing level	446	449

2017 refers to the 9-month period from April to December 2017, whereas 2018 refers to the 12-month period from January to December 2018.

Chairman's Statement

Dear Ladies and Gentlemen,

2018 was a special year for our Bank. 50 years before, in 1968, the Rothschild family decided to establish a banking business in Switzerland, with Baron Elie de Rothschild being appointed as the first Chairman of the Board of Directors. Ever since, we have been guided by the Rothschild family principles 'Concordia, Integritas, Industria' on how we do business and followed the family heritage of having the boldness to hold a distinctive perspective and take an innovative approach.

This anniversary year also marked the announcement of the signing of an overall agreement between Rothschild & Co and Edmond de Rothschild Group on the use of their respective brands, and the concurrent unwinding of cross-shareholdings between the two firms was completed. The renaming of the firm to Rothschild & Co was implemented across the business and led also – 50 years after its establishment – to our new name Rothschild & Co Bank AG.

Economic environment

The underlying conditions of global growth remained healthy in 2018, although its pace slowed down slightly. Falling unemployment rates reached a 50-year low in the US and multi-decade lows in the UK, Germany and Japan. Meanwhile, inflation remained stable.

The US Federal Reserve continued to increase interest rates steadily and unwind its quantitative easing programme. Other major central banks were more reluctant to move. The ECB and Bank of Japan added to their holdings of securities through the year, while the Bank of England raised rates just once.

Corporate profits rose steadily, led by a surge in the US, where big tax cuts and healthy margins amplified the effect of ongoing revenue growth. Currency markets remained mostly range bound, while oil prices had a rollercoaster year, first rising steadily then falling sharply in the autumn.

After a strong start to 2018, stock markets reversed their initial gains, and then fell further throughout the autumn. Fixed income markets also struggled. Government bond performance was patchy, with the US benchmark Treasury note yield touching in autumn the highest level since 2011. Overall, investment returns firmly lagged inflation over the year.

Political risks around the world increased, including ongoing trade tensions between United States and China. In Europe, Brexit negotiations continued, President Macron's reform programme in France met resistance, and German Chancellor Angela Merkel confirmed she would not stand for re-election in 2021.

Committed to our clients

In 2018 we have grown our client base successfully with total assets managed or administrated by the Bank reaching CHF 31.9 Bn compared with CHF 30.3 Bn in 2017, a growth rate of 5.3%. In terms of Net New Assets the past year was very positive with a total of CHF 719 m, representing 2.2% of the total assets managed or administrated by the Bank. However, due to the increased volatility and the associated market corrections in the final weeks of 2018, these results are not fully mirrored in our Assets under Management, which only decreased slightly.

Despite elevated levels of volatility, our discretionary portfolios weathered well the market declines and comfortably outperformed our competitors. Meanwhile, the number of our Advisory mandates grew by 80%, surpassing CHF 2.5Bn Assets under Management whilst our discretionary business passed CHF 4Bn Assets under Management and

continued to expand its Mosaique offering with an Asian Share class for USD investors. In addition, we launched new investment podcasts and publications for clients looking at strategy, advisory investment themes and discretionary performance.

Increasing our focus

We strongly believe that the future of our Bank lies in our core businesses wealth management and private banking within a selected markets portfolio. In order to increase our focus to this strategy we announced in October 2018 the sale of our Trust business. Following the announcement, Matthew Le Flocq resigned from the Executive Committee of Rothschild & Co Bank AG.

Furthermore, we also decided to close our Wealth Management office in Singapore and strengthened our presence in Germany by opening a new office in Düsseldorf, in addition to our already existing presence in Frankfurt.

Financial results

Following Rothschild & Co's decision in 2017 to adjust its financial period, we are reporting on a calendar-year basis for the first time in 2018. Against comparable profit and loss figures, our business has performed strongly across various measures.

The overall financial results for 2018 were strong. When compared to normalized 12 month 2017 results (see page 43), gross profit increased by 41.6% to CHF 43.3m, while our consolidated profit for the year more than doubled up to CHF 38.3m. Part of this increase was due to a tax-neutral realization of existing reserves for general banking risks, which resulted in a one-off extra ordinary income of CHF 15.6m. Our net interest income increased by 13.6% to CHF 43.6m. Revenue from commissions also grew due to increased customer activity. Meanwhile, operating expenses fell by 1.6% due to our ongoing focus on controlling costs.

Industry recognition

In recognition of the strength of our business as well as our commitment and dedication to clients, we have been recognised by several industry awards over the past year. In addition to being named Best HNW Team at the WealthBriefing Swiss Awards 2018, Rothschild & Co Bank AG was among the top three in the Swiss Private Banking rating 2018 published by the business magazine Bilanz. The magazine also gave us an honourable mention as a "longstanding quality leader" in recognition of our consistent performance in the annual ratings.

Looking forward

Volatility, having been unusually low in 2017, picked up in 2018. In addition, investors face many uncertainties at the start of 2019, including some new geopolitical risks as well as a slowdown in the pace of economic growth. However, there have been few signs of macroeconomic excess in this lengthy business cycle, and there seems little need for a major retrenchment.

With expectations of a challenging environment and financial year ahead, we are heading into 2019 with a focus on protecting our clients' assets.

On behalf of the Rothschild family and the entire Board of Directors I would like to express our gratitude to our clients, employees as well as members of the Executive Committee who have contributed to the success of our Bank. With your commitment, dedication and support we are optimistic about the years to come.

Bruno Pfister

Chairman of the Board of Directors

Corporate Governance

Board of Directors

Bruno PFISTER

Chairman of the Board of Directors

Education

Master of Business Administration
UCLA Graduate School of Management, Los Angeles CA

Geneva Bar Admission

Master of Law,
University of Geneva

Professional background

Since 2018	Assepro AG, Herisau and Pfäffikon, Chairman of the Board of Directors
Since 2017	Credit Suisse Asset Management (Switzerland) AG, Zurich Chairman of the Board of Directors
Since 2016	Assura Group, Lausanne Member of the Board of Directors, Chairman of the Investment Committee and Member of the Audit & Risk Committee
Since 2016	SCOR SE, Paris Member of the Board of Directors, Chairman of the Risk Committee
Since 2014	Rothschild & Co Bank AG, Zurich, Chairman of the Board of Directors
2002-2014	Swiss Life, Zurich Chief Executive Officer, Member of the Group Management, CEO International and Chief Financial Officer
1999-2002	Credit Suisse, Zurich Member of the Divisional Management of the Swiss Retail Bank
1996-1999	Liechtenstein Global Trust, Zurich & Vaduz Chief Financial Officer and Member of the Management
1988-1996	McKinsey & Co, Zurich, Senior Project Manager
1986-1987	Chase Manhattan Bank, London and Geneva Assistant Treasurer/Associate
1981-1984	Keppeler & Maurer, Law Firm, Geneva, Trainee and Lawyer

Alexandre de ROTHSCHILD

Deputy Chairman of the Board of Directors

Education

Master in Management,
École Supérieure du Commerce Extérieur, Paris

Professional background

Since 2008	Rothschild & Co, Paris Chairman of Rothschild & Co Gestion SAS, Member of the Group Management Committee
2008	Jardine Matheson, Hong Kong Executive Assistant to the Group Strategy Director
2005-2008	Argan Capital, London, Chargé d'Affaires
2004-2005	Bear, Stearns & Co. Inc, New York, Financial Analyst

Mark CRUMP

Member of the Audit & Risk Committee

Education

ICAEW, Chartered Accountant (FCA)

Associate Chartered Accountant (ACA)

First class degree, Accounting and Finance,
Kingston University London

Professional background

Since 2012	Rothschild & Co, London Group Chief Financial Officer and Chief Operating Officer Member of the Rothschild & Co Group Executive Committee
2009-2011	Expro International, Chief Financial Officer
1999-2009	Lafarge's Gypsum Division, France Responsibilities included: Regional President of the Northern European Business and Divisional Chief Financial Officer Lafarge Aggregates and Concrete Division, Paris, Divisional Chief Financial Officer
1995-1999	Redland Roofing Systems, UK, Finance Manager
1993-1995	Hepworth PLC, UK, Corporate Development Director
1990-1993	NM Rothschild & Sons, London, Corporate Finance Manager
1985-1990	Arthur Anderson, UK, Audit Manager
1984-1985	Kingston University London, Lecturer in Finance

Sipko SCHAT

Chairman of the Audit & Risk Committee

Education

Bachelor of Laws
University of Groningen, Netherlands

Professional background

Since 2012 Rothschild & Co SCA
Independent Member of the Supervisory Board and
Chairman of the Risk Committee

Since 2013 OCI NV
Senior Independent Director,
Chairman of Nomination and Remuneration Committee and
Member of Audit and Compliance Committee

Since 2016 Trafigura Group Pte Ltd
Member of the Supervisory Committee

2014-2018 Vion NV
Chairman of the Supervisory Board and
Member of the Remuneration Committee

1985–2014 Rabobank Netherlands and International
Responsibilities included:
Member of the Executive Board, Member of the Managing Board,
Chairman of the Management Team Wholesale, Global Head of
Corporate Finance, Head of Structured Finance, Senior Manager
Structured Finance and Senior Corporate Lawyer

Rabobank Ireland Plc.
Head of Corporate Finance

Peter A. SMITH

Member of the Audit & Risk Committee

Education

Chartered Accountant ICAEW (FCA)

Advanced Management Program Wharton School,
University of Pennsylvania

Bachelor of Social Sciences,
University of Southampton

Professional background

Since 2012 Rothschild & Co SCA
Member of the Supervisory Board and Chairman of Group Audit
Committee and since 2001 NM Rothschild & Sons Limited,
Non-executive Director, (Chairman since 2015)

2004–2016 Savills plc
Non-executive Chairman

2007–2016 Associated British Foods plc
Non-executive Director and Chairman of the Audit Committee

2002–2004 Safeway plc
Non-executive Director and Member of the Audit Committee

2003–2005 RAC plc
Non-executive Chairman

2001–2010 The Equitable Life Assurance Society
Non-executive Deputy Chairman and Chairman of the Audit
Committee

2004–2015 Templeton Emerging Markets Investment Trust plc
Non-executive Chairman

1967–2000 PricewaterhouseCoopers, UK
Responsibilities included:
Partner, Coopers & Lybrand, Head of London office and Financial
Services Practice, Senior Partner at Coopers & Lybrand UK firm,
Chairman Coopers & Lybrand International, Senior Partner
PricewaterhouseCoopers UK firm, Member PricewaterhouseCoopers
Global Leadership Team

Corporate Governance

Executive Committee

Laurent GAGNEBIN

Chief Executive Officer

Education

Executive Master of Business Administration,
Robert H. Smith School of Business,
University of Maryland

Bachelor of Business Administration,
GSBA Zurich

Bachelor of Science,
HES diploma of Ecole Hôtelière de Lausanne

Professional background

Since 2011	Rothschild & Co Bank AG, Zurich Chief Executive Officer (since 2016) Head Wealth Management Switzerland (2011-2018) Member of the Rothschild & Co Group Executive Committee (since 2018)
2009–2011	Investec Bank AG, Geneva Head of Geneva Office, Senior Private Banker
2005–2009	Goldman Sachs Bank AG, Geneva Executive Director
2002–2005	Quaker Securities, Nyon Senior Vice President

Christian BOUET

Chief Financial Officer

Education

French Chartered Accountant

Master of Business Administration,
NEOMA Business School, Reims

Master of Science,
Ecole Spéciale des Travaux Publics (ESTP), Paris

Professional background

Since 2013	Rothschild & Co Bank AG, Zurich Chief Financial Officer
2006–2013	ED&F Man Group, London, Responsibilities included: Chief Executive Officer ED&F Man Capital Markets (2010–2013), Divisional Finance Director (2006-2010)
1989–2006	Credit Agricole Corporate & Investment Bank (CACIB), Responsibilities included: Chief Operating Officer Brokerage Division, London (1995–2005), Financial Controller Asset Management Division, Paris (1989–1994)
1986–1989	Ernst & Young, Paris Auditor

Juan Carlos MEJIA PEREZ

Chief Investment Officer

Education

PhD and Master of Science in
Interdisciplinary Mathematics,
University of Warwick, Coventry

Bachelor of Science, Mathematics and
Bachelor of Science, Actuarial Sciences,
Universidad Nacional (UNAM), Mexico City

Professional background

Since 2012	Rothschild & Co Bank AG, Zurich Chief Investment Officer Senior Portfolio Manager (2012–2014)
2011–2012	Investec Bank, Zurich Chief Investment Officer and Head of Portfolio Management
2005–2011	UBS Wealth Management Responsibilities included: Head of Asset Allocation for discretionary portfolios, Zurich, Head of Portfolio Strategy and Construction, Head of After Sales, Deputy Head of Investment Management, London
2000–2005	Goldman Sachs Intl., London Responsibilities included: Head of Tactical Asset Allocation Advisory and Equity Portfolio Strategy

Heinz NESSHOLD

Head of Private Banking Zurich

Education

KV Business School Zurich

Professional background

Since 2007 Rothschild & Co Bank AG, Zurich
Head of Private Banking Zurich
Head Market Group International (2011–2018)
Deputy Team Head Asia/Middle East (2007–2011)
Senior Client Advisor (2007–2011)

1999–2007 BHE, Bank Hofmann, Clariden Leu, Zurich
Team Head MG Middle East/International

1983–1999 ABN Amro, Zurich
Responsibilities included:
Team Head Asia, Head Sales, Head Foreign Exchange

1981–1983 S.G. Warburg Bank AG, Zurich
Foreign Exchange Trader/Treasury

1979–1981 Nordfinanz-Bank, Zurich, Foreign Exchange Trader

Armand RUBLI

Head of Legal, Compliance & Risk

Education

Master of Laws (LL.M.) in Commercial Law,
University of Birmingham

PhD and Licentiate in Law,
University of Zurich

Zurich Bar Admission

Professional background

Since 2013 Rothschild & Co Bank AG, Zurich
Head of Legal, Compliance & Risk

2006–2013 Liechtensteinische Landesbank (Switzerland) AG, Zurich
Chief Legal & Compliance, Member of the extended Executive Board

2005–2006 Walder Wyss & Partners, Zurich
Attorney, Senior Associate in Banking and Finance

1997–2005 UBS AG, Zurich
Responsibilities included:
Counselor at Law, Director in Group Legal Services and
in Legal Department of Corporate and Private Clients

1994–1995 District Court of Zurich, Judge's Assistant

Barbara URSPRUNG

Head of Human Resources

Education

Secondary School, Schaffhausen

Professional background

Since 2011 Rothschild & Co Bank AG, Zurich
Head of Human Resources
Senior HR Manager, Team Head Human Resources (2014–2017),
Senior HR Business Partner (2011–2014),
Recruiter (2011)

1997–2011 RBS Coutts Bank Ltd, Zurich
Responsibilities included:
Head of HR Business Consulting, HR Business Consultant,
Area Human Resources Manager, Central Head Administration & Expats

1991–1997 Citibank (Switzerland) Ltd, Zurich
Responsibilities included:
Human Resources Assistant and Training Coordinator

Corporate Governance

Executive Committee

Daniel WEBER

Chief Operating Officer

Education

Advanced Executive Program, Swiss Finance Institute

Chartered Financial Analyst (CFA)

Bachelor of Science in Business Administration

HWV St. Gallen

Professional background

Since 2008	Rothschild & Co Bank AG, Zurich Chief Operating Officer Head Operations & Client Services (2017–2018) Head Client Services (2013–2016) Head Corporate Development (2008–2012)
2005–2008	Bank Julius Bär, Zurich, Product Manager Portfolio Advisory
1999–2004	UBS AG, New York, Investment Advisor & Product Specialist
1987–1999	UBS AG, Arbon, St. Gallen and Zurich Various positions, with a focus on Investment Management

Corporate Secretariat

Ivona LINDER

Corporate Secretary

Statutory Auditors

KPMG AG

A Consolidated Balance Sheet

Assets

	Notes	31.12.2018	31.12.2017	Change	
		1000 CHF	1000 CHF	1000 CHF	%
Liquid assets		3,328,592	3,110,531	218,061	7.0
Amounts due from banks		275,058	302,828	-27,770	-9.2
Amounts due from customers	1	856,201	898,256	-42,056	-4.7
Mortgage loans	1	203,689	230,208	-26,519	-11.5
Trading portfolio assets	2	1,973	1,710	263	15.4
Positive replacement values of derivative financial instruments	3	48,209	19,364	28,845	149.0
Other financial instruments at fair value	2	103,069	114,139	-11,070	-9.7
Financial investments	4, 8	24,857	26,415	-1,558	-5.9
Accrued income and prepaid expenses		14,659	23,977	-9,318	-38.9
Non-consolidated participations	5, 6	68	310	-242	-78.1
Tangible fixed assets	6	38,839	41,946	-3,107	-7.4
Other assets	7	21,126	16,041	5,087	31.7
Total assets		4,916,340	4,785,725	130,615	2.7

Liabilities and shareholders' equity

	Notes	31.12.2018	31.12.2017	Change	
		1000 CHF	1000 CHF	1000 CHF	%
Amounts due to banks		1,286,219	1,133,200	153,019	13.5
Amounts due in respect of customer deposits		3,216,476	3,280,504	-64,028	-2.0
Negative replacement values of derivative financial instruments	3	69,223	33,347	35,876	107.6
Accrued expenses and deferred income		48,727	47,770	957	2.0
Other liabilities	7	14,094	11,201	2,893	25.8
Provisions	10	6,888	14,862	-7,974	-53.7
Reserves for general banking risks	10	7,000	22,769	-15,769	-69.3
Bank's capital		10,330	10,330	-	-
Capital reserve		4,620	4,620	-	-
Statutory retained earnings reserve		5,165	5,165	-	-
Voluntary retained earnings reserves		201,336	201,551	-215	-0.1
Minority interest in equity		7,916	8,643	-727	-8.4
Consolidated profit		38,346	11,763	26,583	226.0
of which minority interest in consolidated net profit		-200	1,168	-1,368	-117.1
Total liabilities		4,916,340	4,785,725	130,615	2.7

A Consolidated Off-Balance Sheet Transactions

	Notes	31.12.2018 1000 CHF	31.12.2017 1000 CHF	Change	
				1000 CHF	%
Contingent liabilities	1, 18	53,210	37,661	15,549	41.3
Irrevocable commitments	1, 19	202,467	169,862	32,605	19.2
Revocable commitments	1, 19	-	1,838	-1,838	-100.0

Irrevocable commitments mainly represent commitments to third party funds where the Bank acts as nominee on behalf of its clients.

Revocable commitments mainly represent the sum of the unused credit limits where the Bank “soft” committed credit limits to clients. Soft commitment means that either the bank or the client have the right to terminate the facility at any time.

B Consolidated Income Statement

	Notes	12m 2018	9m 2017	Change	
		1000 CHF	1000 CHF	1000 CHF	%
Interest and discount income		89,104	51,970	37,134	71.5
Interest and dividend income from financial investments		7	2	5	250.0
Interest expense		-45,556	-23,219	-22,337	96.2
Subtotal net result from interest operations		43,555	28,753	14,802	51.5
Commission income from securities trading and investment activities		69,411	55,199	14,212	25.7
Commission income from lending activities		238	145	93	64.1
Commission income from other services		44,474	42,795	1,679	3.9
Commission expense		-2,600	-15,437	12,837	-83.2
Subtotal result from commission business and services 27		111,523	82,702	28,821	34.8
Results from trading operations and the fair value option	22, 27	15,405	11,150	4,255	38.2
Income from non-consolidated participations		533	464	69	14.9
Result from real estate		377	36	341	947.2
Other ordinary income		11,343	6,067	5,276	87.0
Total income	27	182,736	129,172	53,564	41.5
Personnel expenses	11, 24, 27	-104,798	-79,026	-25,772	32.6
General and administrative expenses	25, 27	-34,634	-27,217	-7,417	27.3
Subtotal operating expenses	27	-139,432	-106,243	-33,189	31.2
Gross profit	27	43,304	22,929	20,375	88.9
Value adjustments on participations and depreciation and amortisation of tangible fixed assets	6	-9,929	-5,550	-4,379	78.9
Changes to provisions and other value adjustments, and losses	10	-4,924	-3,279	-1,645	50.2
Operating result		28,451	14,100	14,351	101.8
Extraordinary income	26	16,647	1,151	15,496	1,346.3
Extraordinary expenses	26	-754	-1,390	636	-45.8
Taxation	28	-5,998	-2,098	-3,900	185.9
Consolidated profit/ loss		38,346	11,763	26,583	226.0
of which minority interest in consolidated net profit		-200	1,168	-1,368	-117.1

Extraordinary income in 2018 primarily relates to the release of general banking reserve.

B Consolidated Statement of Cash Flows

	31.12.2018		31.12.2017	
	Cash in-flow	Cash out-flow	Cash in-flow	Cash out-flow
Cash flow from operating activities				
Result of the period	38,346	–	11,763	–
Change in reserves for general banking risks	–	15,769	–	–
Depreciation and amortisation of tangible fixed assets	9,929	–	5,550	–
Provisions and other value adjustments	–	7,974	2,178	–
Accrued income and prepaid expenses	9,318	–	–	5,019
Accrued expenses and deferred income	957	–	71	–
Previous year's dividend	–	8,857	–	64,973
Total Cash flow from operating activities	58,550	32,600	19,562	69,992
Cash flow from transactions in respect of participations and tangible fixed assets				
Non-consolidated participations	242	–	5	–
Real estate	–	–	–	–
Tangible fixed assets	–	6,857	–	6,548
Total Cash flow from transactions in respect of participations and tangible fixed assets	242	6,857	5	6,548
Cash flow from banking operations				
Medium and long-term business (> 1 year):				
Amounts due to banks	–	49	–	41
Amounts due in respect of customer deposits	–	–	–	–
Amounts due from banks	–	–	–	–
Amounts due from customers	36,714	–	34,174	–
Mortgage loans	26,519	–	3,865	–
Financial investments	5,340	–	5,255	–
Short-term business:				
Amounts due to banks	153,067	–	116,315	–
Amounts due in respect of customer deposits	–	64,028	–	303,548
Negative replacement values of derivative financial instruments	35,876	–	–	18,657
Other liabilities	2,893	–	–	3,504
Amounts due from banks	27,770	–	–	114,360
Amounts due from customers	5,341	–	–	137,861
Trading portfolio assets	–	263	967	–
Positive replacement values of derivative financial instruments	–	28,845	33,885	–
Other assets	–	5,087	3,084	–
Other financial instruments at fair value	11,070	–	–	10,747
Financial investments	–	7,592	–	659
Liquidity:				
Liquid assets	–	218,061	448,805	–
Total	363,382	363,382	665,917	665,917

B Consolidated Statements of Changes in Equity

Statement of Changes in Equity

	Bank's capital 1000 CHF	Capital reserve 1000 CHF	Retained earnings reserve 1000 CHF	Reserves for general banking risks 1000 CHF	Minority interests 1000 CHF	Result of the period 1000 CHF	Total 1000 CHF
Equity at 01. 01. 2018	10,330	4,620	206,716	22,769	8,643	11,763	264,841
Transfer of profits to retained earnings	–	–	10,595	–	1,168	–11,763	–
Currency translation differences	–	–	–3,090	–	–648	–	–3,738
Dividends and other distributions	–	–	–7,778	–	–1,079	–	–8,857
Employee Compensation Plans	–	–	58	–	–	–	58
Acquisition of own shares	–	–	–	–	–168	–	–168
Other allocations to (transfers from) the reserves for general banking risks	–	–	–	–15,769	–	–	–15,769
Consolidated profit (result of the period)	–	–	–	–	–	38,346	38,346
Equity at 31. 12. 2018	10,330	4,620	206,501	7,000	7,916	38,346	274,713

C Notes to the Consolidated Financial Statements

Information on the Balance Sheet

1 Presentation of collateral for loans/ receivables and off-balance-sheet transactions

		Mortgage collateral 1000 CHF	Other collateral 1000 CHF	Without collateral 1000 CHF	Total 1000 CHF
Amounts due from customers		–	758,255	97,946	856,201
Mortgage loans (residential property)		203,689	–	–	203,689
Total loans	Current year	203,689	758,255	97,946	1,059,890
	Previous year	230,208	800,027	98,229	1,128,464
Contingent liabilities		–	53,210	–	53,210
Irrevocable commitments		–	198,904	3,563	202,467
Revocable commitments		–	–	–	–
Total off-balance sheet transactions	Current year	–	252,114	3,563	255,677
	Previous year	–	191,458	17,903	209,361

Impaired loans/ receivables

		Gross debt amount 1000 CHF	Estimated realisable value of collateral 1000 CHF	Net debt amount 1000 CHF	Individual provisions 1000 CHF
Total bad and doubtful debts	Current year	8,510	–	8,510	–1,134
	Previous year	7,679	–	7,679	–519

Irrevocable commitments mainly represent commitments to third party funds where the Bank acts as nominee on behalf of its clients.

Irrevocable commitments without collateral mainly comprise credit lines extended to entities within the Rothschild & Co group and the commitment to the Swiss deposit protection scheme.

Revocable commitments mainly represent the sum of the unused credit limits where the Bank “soft” committed credit limits to clients. Soft commitment means that either the bank or the client have the right to terminate the facility at any time.

2 Breakdown of trading portfolios and other financial instruments at fair value

	31.12.2018 1000 CHF	31.12.2017 1000 CHF	Change 1000 CHF	%
Equity securities	1,272	1,710	–438	–25.6
Other financial instruments at fair value	701	1,050	–349	–33.2
Precious metals	103,069	113,089	–10,020	–8.9
Total	105,042	115,849	–10,807	–9.3

There were no trading portfolio liabilities in the current or previous year.

C Notes to the Consolidated Financial Statements

3 Presentation of derivative financial instruments (assets and liabilities)

	Trading instruments		Contract volume 1000 CHF
	Replacement value positive 1000 CHF	Replacement value negative 1000 CHF	
Foreign exchange/ precious metals	47,883	69,223	7,876,164
Forward contracts	32,649	7,308	2,009,102
Combined interest rate/ currency swaps	13,763	60,449	5,509,256
Options (OTC)	1,471	1,466	357,806
Equity securities/ indices	326	-	27,758
Options (OTC)	326	-	27,758
Total before consideration of netting contracts	48,209	69,223	7,903,922
	Current year		
	19,364	33,347	5,870,952

There were no hedging instruments open and no netting applied at the current and previous business year-end.

Analysis of counterparties of derivative instruments

	Banks and securities dealers	Other customers	Total
	1000 CHF	1000 CHF	1000 CHF
Positive replacement values	42,697	5,512	48,209
Previous year	14,098	5,266	19,364

4 Financial investments

	Book value		Fair value	
	31.12.2018 1000 CHF	31.12.2017 1000 CHF	31.12.2018 1000 CHF	31.12.2017 1000 CHF
Debt securities	24,857	26,415	24,905	26,510
of which, intended to be held to maturity	24,857	26,415	24,905	26,510
Total financial investments	24,857	26,415	24,905	26,510
of which, securities eligible for repo transactions in accordance with liquidity requirements	-	2,942	-	2,964

Counterparties by rating

	Aaa	Aa1-Aa3	A1-A2	Unrated	Total
	1000 CHF	1000 CHF	1000 CHF	1000 CHF	1000 CHF
Debt securities					
Book values	-	16,390	8,467	-	24,857
Previous year	-	14,669	11,746	-	26,415

Counterparties are rated according to Moody's ratings.

5 Participations

Consolidated companies in which the Bank holds a permanent direct or indirect significant participation

Company name	Domicile	Business activity	Company capital in 1000	Share of capital in %	Share of votes in %
Rothschild & Co Bank AG	Zurich	Bank	10,330 CHF	-	-
Equitas SA	Geneva	Asset management	1,000 CHF	100.00	100.00
Rothschild & Co Vermögensverwaltung GmbH	Frankfurt	Asset management	250 EUR	100.00	100.00
RBZ Treuhand AG (in liquidation)	Zurich	Fiduciary services	100 CHF	100.00	100.00
Rothschild Wealth Management (Singapore) Ltd. (in liquidation)	Singapore	Asset management	8,500 SGD	100.00	100.00
Rothschild & Co Wealth Management (Hong Kong) Ltd.	Hong Kong	Asset management	50,000 HKD	100.00	100.00
Rothschild Private Trust Holdings AG	Zurich	Holding	5,000 CHF	56.84	56.84
Guernsey Global Trust Limited	St. Peter Port	Trust services	- GBP	100.00	100.00
Rothschild Corporate Fiduciary Services Ltd.	St. Peter Port	Trust services	100 GBP	100.00	100.00
Rothschild Trust (Schweiz) AG	Zurich	Trust services	500 CHF	100.00	100.00
RTS Geneva SA	Geneva	Trust services	100 CHF	100.00	100.00
Master Nominees	Tortola	Nominee services	- USD	100.00	100.00
RTB Trustees AG	Zurich	Trust services	100 CHF	100.00	100.00
Rothschild Trust Corp. Ltd.	London	Trust services	250 GBP	100.00	100.00
Rotrust Nominees Ltd.	London	Nominee services	- GBP	100.00	100.00
Rothschild Trust Guernsey Ltd.	St. Peter Port	Trust services	3,500 GBP	100.00	100.00
Rothschild Trust Cayman Ltd.	George Town	Trust services	400 KYD	100.00	100.00
Rothschild (BVI) Limited	Tortola	Trust services	250 USD	100.00	100.00
Rothschild Trust (Singapore) Ltd.	Singapore	Trust services	987 SGD	100.00	100.00
Rothschild Trust North America LLC	Reno	Trust services	1,200 USD	100.00	100.00
Rothschild Trust Italy S.r.l.	Milan	Trust services	10 EUR	100.00	100.00
Rothschild Trust (Bermuda) Ltd.	Bermuda	Trust services	- USD	100.00	100.00
Rothschild Trust Canada Inc.	Charlottetown	Trust services	10 CAD	100.00	100.00
Rothschild Trust Financial Services Ltd.	St. Peter Port	Trust services	- GBP	100.00	100.00
Rothschild Trust New Zealand Ltd.	Auckland	Trust services	- NZD	100.00	100.00
Rothschild Trust Protectors Ltd.	Charlottetown	Trust services	- CAD	100.00	100.00

C Notes to the Consolidated Financial Statements

Non-consolidated participations

	31.12.2018 1000 CHF	31.12.2017 1000 CHF	Change 1000 CHF	%
Non-consolidated participations without market value	68	310	-242	-78.1
Total non-consolidated participations	68	310	-242	-78.1

6 Presentation of participations and tangible fixed assets

	Current year						
	Acquisition cost 1000 CHF	Accumulated depreciation 1000 CHF	Book value Previous year end 1000 CHF	Additions 1000 CHF	Disposals/ Forex impact 1000 CHF	Depre- ciation/ Valuation adjust- ments 1000 CHF	Book value current year 1000 CHF
Non-consolidated participations	315	5	310	-	242	-	68
Total non-consolidated participations	315	5	310	-	242	-	68
Bank buildings	45,975	37,075	8,900	-	-	-	8,900
Outfitting costs	29,514	26,473	3,041	1,155	35	2,354	1,807
Proprietary or separately acquired software	74,725	44,720	30,005	5,702	-	7,575	28,132
Total tangible fixed assets	150,214	108,268	41,946	6,857	35	9,929	38,839

7 Other assets and other liabilities

	Other assets		Other liabilities	
	31.12.2018 1000 CHF	31.12.2017 1000 CHF	31.12.2018 1000 CHF	31.12.2017 1000 CHF
Salary debtor and creditor accounts	3,500	4,761	–	–
Employer contribution reserves	–	–	–	–
Balances arising from internal bank business operations	8,749	2,628	10,270	8,741
Value added tax and withholding tax	486	254	2,088	1,529
Current tax assets and liabilities	1,015	376	1,736	931
Due from Trust customers	7,376	8,022	–	–
Total	21,126	16,041	14,094	11,201

8 Assets pledged or assigned to secure own commitments

	31.12.2018		31.12.2017	
	Book values 1000 CHF	Effective commitments 1000 CHF	Book values 1000 CHF	Effective commitments 1000 CHF
Amounts due from banks	40,307	–	31,919	4,170
Financial investments	24,857	24,857	26,415	26,415
Total	65,164	24,857	58,334	30,585

There were no assets under reservation of ownership during the current or previous year.

C Notes to the Consolidated Financial Statements

9 Disclosures on the economic situation of own pension schemes

	31.12.2018 1000 CHF	31.12.2017 1000 CHF	Change 1000 CHF	%
Liabilities to own pension plans	10,329	9,851	478	4.9

Employer's contribution reserves (ECR)

1000 CHF	Nominal value		Waiver of use	Creation 2018	Net amount		Influence of ECR on personnel expenses 2018	Influence of ECR on personnel expenses 2017
	31.12.2018	31.12.2018			31.12.2018	31.12.2017		
Personnel Foundation	598	–	–	–	598	598	–	–

Presentation of the economic benefit/ obligation and the pension expenses

1000 CHF	Overfunding/ underfunding	Economic interest of bank		Change in economic interest 2018	Contributions paid 2018	Pension expenses in personnel expenses 2018	Pension expenses in personnel expenses 2017
		31.12.2018	31.12.2018				
Pension plans with overfunding	441	–	–	–	9,577	9,577	7,202

All employees of Rothschild & Co Bank AG and its Swiss subsidiaries are members of a defined contribution pension scheme, which covers the mandatory benefits specified in the BVG and super-obligatory benefits. A second supporting foundation provides further supplementary super-obligatory benefits.

The disclosure for 2017 is based on an estimate for 'overfunding/underfunding' and actual contributions paid for the Swiss pension schemes. The disclosure for the year 2018 is based on the annual accounts of the Swiss pension schemes as of 31.12.2018.

10 Provisions, reserves for general banking risks

	Previous year end 1000 CHF	Use in conformity with designated purpose 1000 CHF	Currency differences 1000 CHF	New creations charged to income 1000 CHF	Releases to income 1000 CHF	Balance at current year end 1000 CHF
Provisions for deferred taxes	3,757	–	–	–	–3,757	–
Provisions for pension benefit obligations	2,617	–	–	–	–2,617	–
Provisions for other business risks	8,488	–4,961	–91	3,452	–	6,888
Provisions for restructuring	–	–	–	–	–	–
Total provisions	14,862	–4,961	–91	3,452	–6,374	6,888
Reserves for general banking risks	22,769	–	–	–	–15,769	7,000

There continue to be a number of regulatory developments and inquiries in the financial services industry and the Swiss private banking sector that may impact the Bank. The directors believe that the level of provisions made in these accounts for client litigation, legal and other costs is sufficient for any potential or actual proceedings or claims which are likely to have a material impact on the Bank's financial statements, where, based on information available at the reporting date, an outflow of resources will be required and the amount can be reliably estimated.

11 Number and value of equity securities or options on equity securities held by all executives and directors and by employees

	Equity securities Number		Equity securities Value in 1000 CHF		Options Number		Options Value in 1000 CHF	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Members of the board of directors	1,604	11,402	56	407	30,000	40,000	104	271
Members of executive bodies	10,732	31,526	374	1,126	80,000	100,000	277	–
Employees	4,063	5,682	141	203	–	–	–	–
Total	16,399	48,610	571	1,736	110,000	140,000	381	271

Equity securities are the publicly listed securities of Rothschild & Co, the ultimate parent company.

The Bank participates in long-term profit share schemes for the benefit of employees. The costs of such schemes are recognised in the income statement over the period in which the services are rendered that give rise to the obligation. Where the payment of profit share is deferred until the end of a specified vesting period, the deferred amount is recognised in the income statement over the period up to the date of vesting.

Under the equity schemes, senior management of the Rothschild & Co group was required to invest in Rothschild & Co shares and received four options for each share invested. Shares invested are subject to a four-year lock-up period, and the share options granted are subject to a vesting period before exercise. The value of the options reported is the intrinsic value at the year end closing.

Under the 2015/16, 2016/17 and 2017 share plans, persons who have variable compensation which attracts deferrals/retentions and the delivery of non-cash incentives accordingly, as determined by Group Human Resources, were awarded 15 percent of their variable compensation as non-cash instruments. These shares are subject to a lock-up period and vest in three tranches over the three following years.

C Notes to the Consolidated Financial Statements

12 Disclosure of amounts due from and due to related parties

	Amounts due to		Amounts due from	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Holders of qualified participations	81,385	112,502	89,136	88,965
Linked companies	1,360,577	1,075,874	38,403	19,471
Other related parties	13,251	8,620	3,868	9,319
Total	1,455,213	1,196,996	131,407	117,755

Transactions with affiliated persons and companies (in particular parent and subsidiary companies) such as securities transactions, granting loans and account interest are carried out at the conditions offered to third parties. Members of the Executive Committee (ExC) and the internal audit department are offered the Bank's normal conditions for employees. Members of the Board are charged at least the Bank's normal conditions for employees.

13 Maturity structure of current assets, financial investments and liabilities

	At sight 1000 CHF	Redeem- able by notice 1000 CHF	Maturity within 3 months 1000 CHF	Maturity within 3- 12 months 1000 CHF	Maturity within 1-5 years 1000 CHF	Maturity after 5 years 1000 CHF	Total 31.12.2018 1000 CHF
Liquid assets	3,328,592	–	–	–	–	–	3,328,592
Amounts due from banks	275,058	–	–	–	–	–	275,058
Amounts due from customers	13,038	–	662,222	177,334	3,607	–	856,201
Mortgage loans	–	–	24,914	26,101	152,674	–	203,689
Trading portfolio assets	1,973	–	–	–	–	–	1,973
Positive replacement values of derivative financial instruments	–	–	11,578	36,010	621	–	48,209
Other financial instruments at fair value	103,069	–	–	–	–	–	103,069
Financial investments	–	–	5,633	9,587	9,637	–	24,857
Total assets/ financial investments	3,721,730	–	704,347	249,032	166,539	–	4,841,648
Previous year	3,569,670	–	716,261	199,789	217,731	–	4,703,451
	–	–	–	–	–	–	–
Amounts due to banks	1,009,327	–	265,560	10,945	387	–	1,286,219
Amounts due in respect of customer deposits	2,873,523	–	324,146	18,807	–	–	3,216,476
Negative replacement values of derivative financial instruments	–	–	34,076	35,061	86	–	69,223
Total debt capital/ financial investments	3,882,850	–	623,782	64,813	473	–	4,571,918
Previous year	4,058,251	–	377,519	10,846	435	–	4,447,051

14 Assets and liabilities by domestic and foreign origin

	31.12.2018			31.12.2017		
	Domestic 1000 CHF	Foreign 1000 CHF	Total 1000 CHF	Domestic 1000 CHF	Foreign 1000 CHF	Total 1000 CHF
Assets						
Liquid assets	3,328,316	276	3,328,592	3,110,531	–	3,110,531
Amounts due from banks	210,145	64,913	275,058	227,034	75,794	302,828
Amounts due from customers	164,985	691,216	856,201	158,947	739,309	898,256
Mortgage loans	8,146	195,543	203,689	314	229,894	230,208
Trading portfolio assets	299	1,674	1,973	1,162	548	1,710
Positive replacement values of derivative financial instruments	5,296	42,913	48,209	7,686	11,678	19,364
Other financial instruments at fair value	103,069	–	103,069	113,089	1,050	114,139
Financial investments	–	24,857	24,857	–	26,415	26,415
Accrued income and prepaid expenses	10,107	4,552	14,659	19,841	4,136	23,977
Participations	68	–	68	306	4	310
Tangible fixed assets	38,704	135	38,839	41,811	135	41,946
Other assets	3,113	18,013	21,126	670	15,371	16,041
Total assets	3,872,248	1,044,092	4,916,340	3,681,391	1,104,334	4,785,725
Liabilities						
Amounts due to banks	128,626	1,157,593	1,286,219	136,633	996,567	1,133,200
Amounts due in respect of customer deposits	641,819	2,574,657	3,216,476	600,401	2,680,103	3,280,504
Negative replacement values of derivative financial instruments	21,494	47,729	69,223	13,564	19,783	33,347
Accrued expenses and deferred income	47,883	844	48,727	40,736	7,034	47,770
Other liabilities	13,264	830	14,094	10,294	907	11,201
Provisions	6,869	19	6,888	14,862	–	14,862
Reserves for general banking risks	7,000	–	7,000	22,769	–	22,769
Bank's capital	10,330	–	10,330	10,330	–	10,330
Capital reserve	4,620	–	4,620	4,620	–	4,620
Retained earnings reserve	214,417	–	214,417	215,359	–	215,359
Profit/loss (result of the period)	38,346	–	38,346	11,763	–	11,763
Total liabilities	1,134,668	3,781,672	4,916,340	1,081,331	3,704,394	4,785,725

C Notes to the Consolidated Financial Statements

15 Total assets by group of countries

	31.12.2018		31.12.2017	
	1000 CHF	Share in %	1000 CHF	Share in %
Europe	4,638,574	94.4	4,490,002	93.8
America	192,611	3.9	48,645	1.0
Asia, Australia, New Zealand	80,533	1.6	87,802	1.8
Other	4,622	0.1	159,276	3.3
Total	4,916,340	100.0	4,785,725	100.0

16 Breakdown of assets by credit rating of country group

Bank's own country rating	Standard & Poor's	31.12.2018		31.12.2017	
		Net foreign exposure		Net foreign exposure	
		1000 CHF	Share in %	1000 CHF	Share in %
1	A	70,497	6.1	70,301	5.8
2	Aa	515,467	44.6	489,501	40.3
3	Aaa	491,040	42.5	557,668	46.0
4	B	652	0.1	493	0.0
5	Ba	14,433	1.2	11,062	0.9
6	Baa	38,462	3.3	27,563	2.3
7	Caa and below	25,812	2.2	57,147	4.7
Total	Total	1,156,363	100.0	1,213,735	100.0

17 Balance sheet by currency in 1000 CHF

	CHF	EUR	USD	GBP	Other	Total 31.12.2018
Assets						
Liquid assets	3,327,873	624	38	29	28	3,328,592
Amounts due from banks	66,690	39,430	116,354	22,662	29,922	275,058
Amounts due from customers	157,285	490,507	131,676	38,934	37,799	856,201
Mortgage loans	9,146	–	–	194,543	–	203,689
Trading portfolio assets	426	808	739	–	–	1,973
Positive replacement values of derivative financial instruments	47,883	–	–	326	–	48,209
Other financial instruments at fair value	–	–	–	–	103,069	103,069
Financial investments	–	24,857	–	–	–	24,857
Accrued income and prepaid expenses	12,176	556	1,195	669	63	14,659
Participations	68	–	–	–	–	68
Tangible fixed assets	38,649	135	–	–	55	38,839
Other assets	4,088	261	5,091	9,315	2,371	21,126
Total assets shown in balance sheet	3,664,284	557,178	255,093	266,478	173,307	4,916,340
Delivery entitlements from spot exchange, forward forex and forex options transactions	425,957	1,698,139	3,083,974	2,215,359	172,637	7,596,066
Total assets	4,090,241	2,255,317	3,339,067	2,481,837	345,944	12,512,406
Liabilities						
Amounts due to banks	145,782	116,681	776,533	223,507	23,716	1,286,219
Amounts due in respect of customer deposits	587,562	1,076,472	910,601	446,478	195,363	3,216,476
Negative replacement values of derivative financial instruments	69,222	–	–	1	–	69,223
Accrued expenses and deferred income	42,241	3,363	1,161	604	1,358	48,727
Other liabilities	7,593	1,870	555	3,020	1,056	14,094
Provisions	2,526	3,839	31	492	–	6,888
Reserves for general banking risks	7,000	–	–	–	–	7,000
Bank's capital	10,330	–	–	–	–	10,330
Capital reserve	4,620	–	–	–	–	4,620
Statutory retained earnings reserve	5,165	–	–	–	–	5,165
Voluntary retained earnings reserves	201,336	–	–	–	–	201,336
Minority interest in equity	7,916	–	–	–	–	7,916
Profit/loss (result of the period)	38,346	–	–	–	–	38,346
Total liabilities shown in balance sheet	1,129,639	1,202,225	1,688,881	674,102	221,493	4,916,340
Delivery obligations from spot exchange, forward forex and forex options transactions	2,991,526	1,040,596	1,656,164	1,789,984	117,796	7,596,066
Total liabilities	4,121,165	2,242,821	3,345,045	2,464,086	339,289	12,512,406
Net position per currency	-30,924	12,496	-5,978	17,751	6,655	-

C Notes to the Consolidated Financial Statements

Information on Off-Balance Sheet Transactions

18 Analysis of contingent liabilities

	31.12.2018 1000 CHF	31.12.2017 1000 CHF	Change	
			1000 CHF	%
Guarantees to secure credits	53,210	37,661	15,549	41.3

19 Credit commitments

	31.12.2018 1000 CHF	31.12.2017 1000 CHF	Change	
			1000 CHF	%
Commitment to the Swiss deposit guarantee scheme	2,628	2,850	-222	-7.8
Committed credit facilities	935	13,215	-12,280	-92.9
Credit commitments for private equity subscriptions	198,904	153,797	45,107	29.3
Revocable commitments	-	1,838	-1,838	-100.0
Total	202,467	171,700	30,767	17.9

Irrevocable commitments mainly represent commitments to third party funds where the Bank acts as nominee on behalf of its clients.

20 Fiduciary transactions

	31.12.2018 1000 CHF	31.12.2017 1000 CHF	Change	
			1000 CHF	%
Fiduciary investments with third-party companies	1,343,609	781,415	562,194	71.9
Fiduciary investments with linked companies	446,869	59,264	387,605	654.0
Total	1,790,478	840,679	949,799	113.0

21 Managed and administered assets

	31.12.2018 CHF Mio.	31.12.2017 CHF Mio.	Change CHF Mio.	%
Managed assets				
Assets in collective investment schemes managed by the Bank	202	285	-83	-29.1
Assets under discretionary asset management mandates	6,103	5,997	106	1.8
Other managed assets	7,792	8,244	-452	-5.5
Total managed assets (including double counting)	14,097	14,526	-429	-3.0
of which, double counting	202	285	-83	-29.1
Total managed assets (including double counting) at the beginning of the year	14,526	13,957	569	4.1
+/- net new money inflow or net new money outflow	719	-294	1,013	-344.6
+/- price gains/ losses, interest, dividend and currency gains/ losses, and other effects	-800	863	-1,663	-192.7
+/- other effects	-348	-	-348	
Total managed assets (including double counting) at the end of the year	14,097	14,526	-429	-3.0

Client assets include deposits as well as the market value of securities, precious metals and fiduciary investments. Net new assets consist of all external cash deposits and withdrawals on client accounts as well as all external in- and outflows from/ into client accounts. Interest and dividend income are not included in the calculation.

Managed assets cover both assets deposited with Group companies and assets deposited at third-party institutions for which the Bank holds a management mandate. It also includes other client assets on which the Group earns more than a defined threshold.

Administered assets include assets for which the Bank provides custody and administration services. These relate mainly to assets from Group Companies. In addition, assets from the Banks' pension schemes and assets of employees are included.

	31.12.2018 CHF Mio.	31.12.2017 CHF Mio.	Change CHF Mio.	%
Total managed assets (including double counting) at the end of the year	14,097	14,526	-429	-3.0
Administered assets				
Assets administered for or on behalf of affiliated companies on behalf of the Rothschild & Co group	14,483	12,933	1,550	12.0
External advisory assets	586	697	-111	-15.9
Group and pension assets	2,714	2,124	590	27.8
Total assets managed or administered by the Bank (excluding double counting)	31,880	30,280	1,600	5.3

C Notes to the Consolidated Financial Statements

Information on the Income Statement

22 Result from trading activities

	12m 2018 1000 CHF	9m 2017 1000 CHF	Change 1000 CHF	%
Equity securities (including funds)	372	289	83	28.7
Foreign currencies	14,691	9,884	4,807	48.6
Commodities/ precious metals	342	977	-635	-65.0
Total result from trading activities	15,405	11,150	4,255	38.2

23 Negative interest

	12m 2018 1000 CHF	9m 2017 1000 CHF	Change 1000 CHF	%
Negative interest paid	-23,214	-18,349	-4,865	26.5
Negative interest received	917	671	246	36.7

24 Personnel expenses

	12m 2018 1000 CHF	9m 2017 1000 CHF	Change 1000 CHF	%
Salaries	-83,176	-63,906	-19,270	30.2
of which expenses relating to share-based compensation	-55	-114	59	-51.8
Social insurance benefits	-14,891	-10,601	-4,290	40.5
Other personnel expenses	-6,731	-4,519	-2,212	48.9
Total personnel expenses	-104,798	-79,026	-25,772	32.6

25 General and administrative expenses

	12m 2018 1000 CHF	9m 2017 1000 CHF	Change 1000 CHF	%
Office space expenses	-4,141	-3,247	-894	27.5
Expenses for information and communications technology	-13,494	-9,646	-3,848	39.9
Expenses for vehicles, equipment, furniture and other fixtures	-1,398	-1,593	195	-12.2
Fees of audit firms	-1,047	-925	-122	13.2
of which for financial and regulatory audits	-1,047	-925	-122	13.2
Other operating expenses	-14,554	-11,806	-2,748	23.3
Total	-34,634	-27,217	-7,417	27.3

26 Extraordinary income and expense

	12m 2018 1000 CHF	9m 2017 1000 CHF	Change 1000 CHF	%
Other extraordinary income	16,647	1,151	15,496	1,346.3
Transactional tax expense related to prior year	-	-1,100	1,100	-100.0
Other extraordinary expense	-754	-290	-464	160.0
Total	15,893	-239	16,132	-6,749.8

Other extraordinary income in 2018 related to release of general banking reserve and the settlement/ closing of prior year tax obligations.
Other extraordinary expense in 2018 relates to loss on sale of participations and expense relating to settlement of tax related to sale of real estate in previous year.

C Notes to the Consolidated Financial Statements

27 Operating result broken down according to domestic and foreign origin

	12m 2018			9m 2017		
	Domestic 1000 CHF	Foreign 1000 CHF	Total 1000 CHF	Domestic 1000 CHF	Foreign 1000 CHF	Total 1000 CHF
Net result from interest operations	41,379	2,176	43,555	28,758	-6	28,753
Result from commission business and services	82,567	28,956	111,523	59,599	23,104	82,702
Results from trading operations and the fair value option	15,014	391	15,405	11,192	-42	11,150
Other ordinary income and expenses	13,533	-1,280	12,253	6,499	68	6,567
Total income	152,493	30,243	182,736	106,048	23,124	129,172
Personnel expenses	-88,458	-16,340	-104,798	-67,902	-11,124	-79,026
General and administrative expenses	-26,244	-8,390	-34,634	-21,783	-5,434	-27,217
Total operating expenses	-114,702	-24,730	-139,432	-89,685	-16,558	-106,243
Gross profit	37,791	5,513	43,304	16,363	6,566	22,929

28 Taxation

	12m 2018	9m 2017	Change	
	1000 CHF	1000 CHF	1000 CHF	%
Expenses for current taxes	-5,998	-2,098	-3,900	185.9
Total	-5,998	-2,098	-3,900	185.9
Average tax rate based on operating result	21.1	14.9		

29 Significant events after the balance sheet date

In the 4th quarter of 2018 Rothschild & Co signed an agreement for the sale of its Trust business. The sale of the Trust business is expected to be completed in the 1st quarter of 2019. As of the balance sheet date the sale of the Trust business has had no impact on the financial position of Rothschild & Co Bank AG Consolidated.

Other than above, no events have occurred since the balance sheet date which would change the financial position of the Rothschild & Co Bank AG Consolidated and which would require adjustment or disclosure in the 2018 Annual Report now presented.

D Consolidation, Accounting and Valuation Principles

General Principles

The consolidated financial statements have been prepared in accordance with the Swiss Bank Accounting Guidelines of the Swiss Financial Market Supervisory Authority (BAG-FINMA).

The Group accounts present a true and fair view of the financial position of the Group and of the results of its operations and its cash flows in compliance with the accounting rules applicable for banks.

Consolidated Companies

Subsidiaries are entities controlled by the Bank. Control exists when the Bank has the power, directly or indirectly, usually based on a participation of more than 50% of voting capital, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Method of Consolidation

The Group's capital consolidation is prepared in accordance with the purchase method.

Change in the Scope of Consolidation

There were no significant changes in the scope of consolidation in the current year.

Accounting and Recording of Transactions

All transactions effected up to and including the balance sheet date are accounted for on the trade date and are, from this date on, stated and assessed according to the principles laid out below.

Foreign Currency Translation of the Financial Statements

Income statements of foreign entities are translated into the Group's reporting currency at average exchange rates for the period, and their balance sheets are translated at the exchange rate at the end of the period. Foreign exchange differences arising from the translation are recognised directly as a separate component of equity. On disposal of a foreign entity, these translation differences are recognised in the income statement as part of the gain or loss on sale.

Transactions in foreign currencies are translated at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Swiss Francs at the foreign exchange rate ruling at the balance sheet date. Foreign exchange differences are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the foreign exchange rates ruling at the dates the fair value was determined.

The following rates prevailing on the balance sheet date were used for foreign currency translations:

	2018		2017	
	Spot rate	Average rate	Spot rate	Average rate
EUR	1.12878	1.12591	1.17020	1.16880
GBP	1.26285	1.24864	1.31830	1.32320
USD	0.98683	0.98380	0.97450	0.98720

Liquid Assets, Amounts Due from and to Banks, and Amounts Due in Respect of Client Deposits

Assets and liabilities are stated in the balance sheet at their nominal value.

Amounts Due from Clients

Amounts due from customers are stated in the balance sheet at their nominal value. Claims – taking all off-balance sheet items into account – which the debtor will be unlikely to satisfy in future are covered by individual provisions. These are classified as non-performing if interest and capital payments are overdue for more than 90 days. Individual provisions are deducted directly from the corresponding asset positions. Claims rated as uncollectible are written off against the individual provisions made.

Trading Portfolios in Securities and Precious Metals

Securities and precious metals in trading portfolios and in financial instruments at fair value are in principle stated at fair value. The price obtained on a price-efficient and liquid market is taken as the fair value, which as a rule corresponds to the market value. If in exceptional cases there is no fair value available, securities and precious metals in trading portfolios will be valued and stated at the lower of cost or market value. Changes in the value of precious metals positions is shown in result from trading operations and the fair value option.

Interest, discount and dividend income from trading securities are set off against refinancing expenses and booked as income from trading operations.

Financial Investments

Fixed income securities that are planned to be held until maturity are valued by the accrual method. Premiums and discounts are amortised over the remaining life of the respective security and are recognised in interest and dividend income on financial investments. Other financial investments are valued at the lower of cost or market value.

Non-consolidated Participations

An associate is an entity in which the Group has significant influence, but no control over the operating and financial management policy decisions. This is generally demonstrated by the Group holding in excess of 20%, but no more than 50%, of the voting rights. The Group's investments in associates are initially recorded at cost. Subsequently their value is increased or decreased by the Group's share of the post-acquisition profit or loss, or by other movements reflected directly in the equity of the associate. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

All other participations without a significant influence are stated at cost less depreciation.

Fixed Assets

Fixed assets are valued at cost less depreciation over an expected useful lifetime of maximum ten years for outfitting costs, maximum ten years for the components of the IT platform (host system), maximum six years for other tangible fixed assets and maximum three years for IT hardware. Bank buildings and other properties are depreciated to a base level generally accepted by the tax authorities. The value is reviewed on a regular basis. If a review reveals an impairment in value, an additional write-off is made. The remaining book value is subsequently written down over the residual useful lifetime. If the review

D Consolidation, Accounting and Valuation Principles

reveals a change in the useful lifetime, the remaining book value is written down as planned over the adjusted useful life. Small investment outlays are charged directly to operating expenses at the time of purchase.

Derivative Instruments

Derivative financial instruments are stated at fair value. The positive and negative replacement values are included in the balance sheet. Unrealised / realised gains are included in results from trading operations. All derivative financial instruments are allocated to the trading book.

Liabilities to Pension Plans

Pension liabilities are treated according to Swiss GAAP FER 16 (accounting standard for pension benefit obligations relevant for Swiss Banking GAAP). The employer's contributions according to the defined contribution pension plans are included within personnel expenses.

Valuation Adjustments and Provisions

Claims that a debtor is unlikely to satisfy in the future are covered by individual valuation adjustments. Individual valuation adjustments are deducted directly from the corresponding asset positions. Individual valuation adjustments and individual provisions are made for all other recognisable loss risks according to a concept of prudence.

From time to time the Bank is involved in legal proceedings or receives claims arising from the conduct of its business. Based upon available information and, where appropriate, legal advice, provisions are made where it is probable that an outflow of resources will be required and the amount can be reliably estimated.

Interest Income and Expense

Interest income and expense are recognised in the income statement for all interest-bearing instruments on an accrual basis.

Revenue is recognised only when it is probable that the economic benefits associated with the transaction will flow to the entity. Interest, including accrued interest, that are due but unpaid for more than 90 days are considered as being at risk, and an appropriate provision is established.

Fee and Commission Income and Expense

The Group earns fee and commission income from services provided to clients. Fee income from advisory and other services can be divided into two broad categories: fees earned from services that are provided over a period of time, which are recognised over the period in which the service is provided; and fees that are earned on completion of a significant act or on the occurrence of an event, such as the completion of a transaction, which are recognised when the act is completed or the event occurs.

Revenue is recognised only when it is probable that the economic benefits associated with the transaction will flow to the entity. Commission including accrued commission that are due and unpaid for more than 90 days are considered as being at risk and an appropriate allowance is established.

Portfolio and other management advisory and service fees are recognised based on the applicable service contracts. Asset management fees related to investment funds are recognised over the period the service is provided. The same principle is applied to the recognition of income from wealth management, financial planning and custody services that are continuously provided over an extended period of time.

Operating Lease and Rental Agreements

The Group has entered into operating leases in respect of equipment. The total payments made under operating leases are charged to the income statement on a straight-line basis over the period of the leases. There are no claims or commitments from finance leases.

Income Tax

Current taxes are recurring taxes on capital and income. Current taxes are determined in accordance with the local fiscal regulations on ascertaining profits and capital tax and are stated as expenses during the accounting period. Taxes owed are recorded as accrued expenses.

Deferred taxes arise when valuation principles other than those relevant from the fiscal law perspective are used in drawing up consolidated annual financial statements. Deferred tax liabilities are booked under provisions, and valuation adjustments and any changes are recognised in the income statement.

Deferred tax claims from losses carried forward are capitalised where it is likely that sufficient taxable profits will be generated within the statutory time limits, against which these losses carried forward may be offset. Changes in the deferred taxes are stated in the income statement via the taxes item.

Fiduciary Placement Activities

The Group acts as custodian and in other fiduciary capacities that result in the holding or placing of assets on behalf of customers. These assets and the interest income arising thereon are excluded from these financial statements, as they are not assets of the Group.

Contingent Liabilities and Fiduciary Operations

Transactions resulting from these activities are stated off-balance sheet at their face value. For recognisable risks, provisions are made and recorded under liabilities.

E Notes on Risk Management

General Principles

The Board of Directors of the Rothschild & Co Bank AG Zürich considers a prudent and active approach to risk as a precondition for the sustained and long-term successful business operation of the Bank. The Board is responsible for the stipulation of the risk policy. The Board of Directors has released a Risk Regulation, which takes into account both the circumstances of the business activities of the Bank and its subsidiaries and also reflects the capital funds situation of the Group, the interest of the shareholders and the regulatory environment. The risk policy is constantly monitored and amended if necessary.

The formal methodology of the risk policy relates primarily to the observance of quantitative risk limits for all risk types. Risk diversification utilizes more qualitative aspects and working procedures are installed for the management of operational risks. At the same time, great importance is attached to the risk awareness of the management bodies and all Group staff. Hence the Board of Directors and the Executive Committee pursue an open risk culture which is also implemented by responsible, careful and professional behaviour from all employees. The Group consciously depends on a risk culture based on the personal integrity, specialist competence and risk awareness of each individual and undertakes the necessary steps to ensure that these qualifications are carried by all its employees.

The implementation of the risk policy is delegated to the Bank's Executive Committee: the ExC. The ExC is supported in this by the Risk Department, which is independent from trading and client-related services and which monitors compliance with limits and the risk policy.

In its management and control of the risks, the Bank has implemented the three lines of defence model, with the business functions being the first line responsible for the management and primary controls of their respective risks. Second line defence is ensured through secondary controls conducted by support units independent from the business functions, mainly the Risk, Legal and Compliance and Finance Departments. Internal and External Audit constitute the third line of defence.

Credit Risk

Credit risk describes the potential for loss as a result of insolvency of a client or counterparty. A potential loss arises in particular when maturing loans or other financial obligations to the Bank are not repaid or cannot be repaid when due. For this reason loans and other credits are only granted after taking into account fundamental principles of caution. Since the banking business is strongly focused on private banking, loans are mainly granted against collateral in the form of pledged well-diversified investment portfolios or as mortgages on a case by case basis. Credit exposures that are considered to be at risk, or where the collectability of the debt is doubtful, are assessed individually and where necessary impairment provisions are taken against the exposure.

The competencies for loan approvals and the monitoring of credit positions are subject to clear rules and supervised by staff members independent of the client advisers. The Board of Directors and the Executive Committee have laid down clear guidelines for loanable values and the pledging of assets (collateral). In general, assets serving as collateral are held in the Bank's custody and pledged in favour of the Bank under contractual agreements. The loanable values of the pledged assets, which are derived from market values, are compared daily to the loan commitments secured and are subject to constant monitoring. If coverage threatens to become insufficient,

necessary steps are taken to re-establish the necessary loanable value or to reduce the credit exposure. The Bank can resort to partial or full liquidation of the collateral or call the client for additional assets (margin call). If in exceptional cases no published market value is available for pledged assets, internal valuations calculated using standard banking methods will be applied. General principles have also been set out that aim for appropriate diversification of loan commitments and collateral. The concentration of risks on one client or counterparty or on one group of linked clients or counterparties is constantly monitored and appropriate measures are taken to avoid the emergence of large exposures.

Credit exposures resulting from our lending businesses are reviewed by the Private Client Credit Committee on a quarterly basis. Loans that are considered to be at risk, where the collectability of the debt is doubtful, are assessed individually and where necessary, impairment provisions are taken against the exposure.

Counterparties are defined as banks or brokers with which the Bank trades or from which it purchases services. Counterparties are carefully selected on the basis of their creditworthiness, drawing on external ratings. Internal limits have to be approved by the competent bodies according to the risk policy and internal guidelines. Counterparty exposures are monitored daily by the Risk Department and are reviewed regularly by the Bank's Treasury Committee, the ExC and the Audit and Risk Committee.

Liquidity Risk

Liquidity risk describes the risk that in some circumstances, for example changed market conditions, the Bank might not be able to meet all its payment obligations as and when they fall due. The Bank's funding needs, largely resulting from its lending activities, are met by the Bank's equity and client deposits. In addition, the Bank maintains committed liquidity facilities with clearing institutions for the exceptional event that counterparties or clients do not meet their settlement obligations punctually. Compliance with the liquidity rules as set out in the respective external and internal regulations are constantly monitored by the Risk Department and are reported to the Treasury Committee, the ExC and the Audit and Risk Committee.

Market Risk

Market risk describes the risk that the Bank could suffer losses as a result of changes in the financial markets (interest rates, FX rates, share prices). The business policy of the Bank is to only permit open market risk positions to a small degree in relation to client business volumes and available capital funds. The Bank incurs some FX risk through its proprietary FX trading book. These trading positions are valued daily. Calculation of risk positions and monitoring of compliance with the limits is performed independently by the Risk Department.

With very few exceptions, loans are generally extended with floating interest rates. The risk associated with the small proportion of loans with fixed interest rates is offset by means of Interest Rate Swaps. The Treasury Committee oversees interest rate risk in the banking book and monitors the balance sheet structure. The Bank buys and sells derivatives arising from client activities in order to manage market risks. All such transactions are carried out within the guidelines defined by the Bank's Treasury Committee.

Operational Risk

Operational risk entails the possibility that losses may be incurred directly or indirectly due to the inappropriateness or failure of internal procedures, persons or systems or due to external events that cannot

E Notes on Risk Management

be influenced. This definition also comprises the risk of fraud and the potential reputation damages associated with operational risk events. In accordance with regulatory requirements and best practice standards in banking and the Bank's dedication to ensure high quality services for its clients, the Executive Committee has implemented an operational risk management framework consisting of internal policies and procedures on organisation setup and controls, which are designed to maintain operational integrity at a high level. Particular attention is given to the quality and skills of staff, the segregation of duties, the careful selection of counterparties and the security of the central computer systems and networks. The Internal Audit department reviews the procedures and internal controls at regular intervals. Due to an escalation procedure it is assured that the responsible line management is adequately involved in the reporting and analyses process.

The Board of Directors has acknowledged the key operational risks of the Bank and has issued a qualitative risk appetite statement and, to the extent feasible, quantitative limits expressed by Key Risk Indicators for the measurement and limitation of operational risk.

Legal Risks and Compliance

Legal and compliance risks are the risks associated with non-adherence to applicable laws and regulations in all jurisdictions the Bank operates, and the risk the Bank exposes itself to as a result of violation of internal rules and policies. Non-enforceability of legal contracts and the Bank's inability to fulfil its contractual obligations also expose the Bank to legal risk. In order to monitor and mitigate legal and regulatory risks, the Bank maintains a Legal and Compliance Department. This department ensures that the Bank's business activities are conducted in accordance with the applicable regulations and the obligation of financial intermediaries to observe due diligence. If required, external legal advice is sought.

Business and Services

Rothschild & Co Bank AG is an independent Swiss bank specialising in private banking and asset management. Consequently, the most important contributions to income are derived from commissions and the provision of services. As a result of the links between its shareholders who are members of the Rothschild family, the Bank is also a member of an important worldwide group that has the benefit of far-reaching resources and knowledge in the field of financial services.

The most important services that are offered within private banking are the management of accounts in all convertible currencies, the management and safekeeping of securities and precious metals, trading in currencies, securities and derivatives, secured lending and the provision of structures for the safeguarding and transfer of private wealth. The accounts are managed at the head office in Zurich and within the subsidiaries, Equitas SA in Geneva, Rothschild & Co Vermögensverwaltung GmbH in Frankfurt and Düsseldorf and Rothschild & Co Wealth Management (Hong Kong) Ltd. in Hong Kong. In addition, Rothschild & Co Bank AG is represented through the worldwide network of the Rothschild & Co Group.

It has been the principle of Rothschild & Co for generations that clients and their needs are of the highest importance. This principle, together with the personal relationship between the client and the portfolio manager, forms the foundation for successful capital growth and protection.

Portfolio Management

In addition to active investment advisory services for clients, the core competence lies in asset management tailored to the individual needs of clients. The investment philosophy of Rothschild & Co Bank Zurich is aimed at the development of long-term solutions. The dynamic asset management process is designed for the evaluation of broad individual client needs and for their special requirements. This process takes place within the investment policy of the Bank that reflects the guidelines and instructions of the client and minimises the investment risks. The investment process is systematically organised and simple to understand. In investment advisory services as well as in asset management we make use of fundamental and financial analysis developed by specialists of the worldwide Rothschild & Co Group. An internal investment committee reviews their recommendations. To ensure an optimal allocation, the Bank utilises both third-party products as well as products developed by the Rothschild & Co Group.

Trading

The provision of portfolio management services is supported by specialists and the necessary infrastructure in the trading department of the Bank. This allows quick execution and processing of orders in foreign exchange, fiduciary deposits and securities transactions on good terms in all the major financial centres as well as in investment funds and derivatives as instruments for investment management and risk. Rothschild & Co Bank AG is a licensed securities dealer and an associated member of the Swiss Stock Exchange.

Lombard Lending and Mortgage Lending

Within the context of overall investment management and private banking, the Bank grants loans to clients and guarantees to third parties on behalf of clients. This credit activity is based upon Lombard lending against marketable securities and other liquid realisable assets. Lombard lending is normally short term and advances are not ordinarily for more than twelve months. Within the credit policies, there are conservative rules regarding the quality of collateral and margin call requirements. The Bank also offers residential mortgage lending to its clients on a case-by-case basis.

Report of the Statutory Auditor on the Consolidated Financial Statements



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Report of the Statutory Auditor to the General Meeting of Shareholders of

Rothschild & Co Bank AG, Zurich

Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the consolidated financial statements of Rothschild & Co Bank AG, which comprise the balance sheet, income statement, cash flow statement, statement of changes in equity and notes (page 14 to 38) for the year ended 31 December 2018.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with the provisions governing the preparation of financial statements for Banks and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2018 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the provisions governing the preparation of financial statements for Banks and comply with Swiss law.



Rothschild & Co Bank AG, Zurich
*Report of the Statutory Auditor
on the Consolidated Financial Statements
to the General Meeting of Shareholders*

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

Thomas Dorst
*Licensed Audit Expert
Auditor in Charge*

Christian Anderegg
Licensed Audit Expert

Zurich, 21 February 2019

KPMG AG, Badenerstrasse 172, PO Box, CH-8036 Zurich

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Capital Adequacy and Liquidity

Regulatory Key Figures

	31.12.2018 1000 CHF	30.9.2018 1000 CHF	30.6.2018 1000 CHF	31.3.2018 1000 CHF	31.12.2017 1000 CHF
Available capital (amounts)					
Common Equity Tier 1 (CET1)	228,450				244,223
Tier 1	228,450				244,223
Total capital	228,450				244,223
Risk-weighted assets (amounts)					
Total risk-weighted assets (RWA)	924,988				849,708
Minimum capital requirements (CHF)	73,999				67,977
Risk-based capital ratios (as a percentage % of RWA)					
CET1 ratio (%)	24.70%				28.74%
T1 ratio (%)	24.70%				28.74%
Total capital ratio (%)	24.70%				28.74%
Additional CET1 requirements (buffers) as a percentage of RWA					
Capital conservation buffer requirement according to Basel minimum requirements (%)	1.88%				1.25%
Total of bank CET1 specific buffer requirements according to Basel minimum requirements (%)	1.88%				1.25%
CET1 available after meeting the bank's minimum capital requirements (%)	16.70%				20.74%
Target capital ratios according to Annex 8 of the Capital Adequacy Ordinance (CAO) (% of RWA)					
Capital conservation buffer according to CAO, Annex 8 (%)	3.20%				3.20%
Countercyclical capital buffer according to CAO, Art. 44 and Art. 44a (%)	0.0039%				0.0014%
CET1 capital target (%) according to CAO, Annex 8 + countercyclical buffer according to CAO, Art. 44 and 44a	7.40%				7.40%
T1 capital target according to CAO, Annex 8 + countercyclical buffer according to CAO, Art. 44 and 44a	9.00%				9.00%
Total capital target according to CAO, Annex 8 + countercyclical buffer according to CAO, Art. 44 and 44a	11.20%				11.20%
Basel III Leverage Ratio					
Total Basel III leverage ratio exposure measure (CHF)	5,105,149				4,945,049
Basel III Leverage Ratio	4.47%				4.94%
Liquidity Coverage Ratio					
Total HQLA	3,364,376	3,425,378	3,523,485	3,077,401	3,198,099
Total net cash outflow	2,511,237	2,492,296	2,357,193	1,936,907	2,084,182
Liquidity Coverage Ratio (LCR) (%)	133.97%	137.44%	149.48%	158.88%	153.45%

Comparable Consolidated Income Statement

In relation to the realigned fiscal year in 2017 and the resulting shortened reporting period, the following table presents a comparable view of the consolidated income statement from January 1, 2018 to December 31, 2018 and January 1, 2017 to December 31, 2017 respectively.

The comparison period, which is unaudited, is presented in a business conform manner and represents straight line extrapolation of actual 2017 reported results adjusted for one off effects such as extra ordinary items.

	12m 2018 1000 CHF	12m 2017 1000 CHF	Change	
			1000 CHF	%
Subtotal net result from interest operations	43,555	38,336	5,219	13.6
Subtotal result from commission business and services	111,523	110,270	1,251	1.1
Results from trading operations and the fair value option	15,405	14,867	539	3.6
Other Ordinary Income	12,253	8,756	3,498	39.9
Total income	182,736	172,229	10,507	6.1
Personnel expenses	-104,798	-105,369	570	-0.5
General and administrative expenses	-34,634	-36,289	1,655	-4.6
Subtotal operating expenses	-139,432	-141,658	2,225	-1.6
Gross profit	43,304	30,571	12,732	41.6
Value adjustments on participations and depreciation and amortisation of tangible fixed assets	-9,929	-7,401	-2,529	34.2
Changes to provisions and other value adjustments, and losses	-4,924	-4,372	-552	12.6
Operating result	28,451	18,798	9,652	51.3
Extraordinary Income	16,647	1,151	15,496	n/a
Extraordinary expenses	-754	-1,390	636	n/a
Taxation	-5,998	-2,797	-3,201	114.5
Consolidated profit/ loss	38,346	15,762	22,583	143.3

**Parent Company Financial
Statements of**

Rothschild & Co Bank AG

A Balance Sheet

Assets

	Notes	31.12.2018 1000 CHF	31.12.2017 1000 CHF	Change	
				1000 CHF	%
Liquid assets		3,328,586	3,110,527	218,059	7.0
Amounts due from banks		258,678	284,971	-26,293	-9.2
Amounts due from customers	1	859,201	898,256	-39,055	-4.3
Mortgage loans	1	203,689	230,208	-26,519	-11.5
Trading portfolio assets	2	1,684	1,710	-26	-1.5
Positive replacement values of derivative financial instruments	3	48,209	19,364	28,845	149.0
Other financial instruments at fair value	2	103,069	113,944	-10,875	-9.5
Financial investments	4	24,857	26,415	-1,558	-5.9
Accrued income and prepaid expenses		4,375	4,704	-329	-7.0
Participations		23,637	25,054	-1,417	-5.7
Tangible fixed assets		35,291	38,006	-2,715	-7.1
Other assets	5	10,980	4,423	6,557	148.2
Total assets		4,902,256	4,757,582	144,674	3.0

Liabilities and shareholders' equity

	Notes	31.12.2018 1000 CHF	31.12.2017 1000 CHF	Change	
				1000 CHF	%
Amounts due to banks		1,286,234	1,133,409	152,825	13.5
Amounts due in respect of customer deposits		3,227,521	3,288,834	-61,313	-1.9
Negative replacement values of derivative financial instruments	3	69,223	33,347	35,876	107.6
Accrued expenses and deferred income		35,924	33,799	2,125	6.3
Other liabilities	5	12,848	8,209	4,639	56.5
Provisions	8	6,658	23,539	-16,881	-71.7
Reserves for general banking risks	8	7,000	7,000	-	-
Bank's capital	9, 12	10,330	10,330	-	-
Statutory retained earnings reserve		5,165	5,165	-	-
Voluntary retained earnings reserves		206,230	206,172	58	-
Profit/loss		35,123	7,778	27,345	351.6
Total liabilities and shareholders' equity		4,902,256	4,757,582	144,674	3.0

A Off-Balance Sheet Transactions

	Note	31.12.2018 1000 CHF	31.12.2017 1000 CHF	Change	
				1000 CHF	%
Contingent liabilities	1	53,210	37,671	15,539	41.2
Irrevocable commitments	1	202,467	169,862	32,605	19.2
Revocable commitments	1	-	1,838	-1,838	-100.0

Irrevocable commitments mainly represent commitments to third party funds where the Bank acts as nominee on behalf of its clients.

Revocable commitments mainly represent the sum of the unused credit limits where the Bank “soft” committed credit limits to clients. Soft commitment means that either the bank or the client have the right to terminate the facility at any time.

B Income Statement

	Notes	12m 2018	9m 2017	Change	
		1000 CHF	1000 CHF	1000 CHF	%
Interest and discount income		89,138	51,982	37,156	71.5
Interest and dividend income from financial investments		7	2	5	250.0
Interest expense		-47,666	-23,188	-24,478	105.6
Subtotal net result from interest operations		41,479	28,796	12,683	44.0
Commission income from securities trading and investment activities		45,857	33,692	12,165	36.1
Commission income from lending activities		238	145	93	64.1
Commission income from other services		1,657	1,353	304	22.5
Commission expense		-4,825	-4,897	72	-1.5
Subtotal result from commission business and services		42,927	30,293	12,634	41.7
Results from trading operations and the fair value option	16	14,969	11,369	3,600	31.7
Income from participations		3,767	1,881	1,886	100.3
Result from real estate		857	125	732	585.6
Other ordinary income	17	13,084	8,691	4,393	50.5
Subtotal other result from ordinary activities		17,708	10,697	7,011	65.5
Total income		117,083	81,155	35,928	44.3
Personnel expenses	19	-58,190	-45,064	-13,126	29.1
General and administrative expenses	20	-19,035	-17,216	-1,819	10.6
Subtotal operating expenses		-77,225	-62,280	-14,945	24.0
Gross profit		39,858	18,875	20,983	111.2
Value adjustments on participations and depreciation and amortisation of tangible fixed assets		-12,229	-6,212	-6,017	96.9
Changes to provisions and other value adjustments, and losses		-3,758	-2,898	-860	29.7
Operating result		23,871	9,765	14,106	144.5
Extraordinary income	21	16,564	1,151	15,413	1,339.1
Extraordinary expenses	21	-754	-1,100	346	-31.5
Taxes	22	-4,558	-2,038	-2,520	123.7
Profit/loss		35,123	7,778	27,345	351.6

Extraordinary income in 2018 primarily relates to the release of reserves.

B Proposal of the Board of Directors to the Annual General Meeting

The following total amount is available for distribution:

	1000 CHF
Profit/ loss	35,123
+ /- profit/ loss carried forward	-
+ voluntary retained earnings	206,230
= distributable profit	241,353

The Board of Directors proposes to the Annual General Meeting to allocate this amount as follows:

Allocation to statutory retained earnings reserve	-
Allocation to voluntary retained earnings reserves	-
Distributions to shareholders	35,123
New amount carried forward	206,230

B Statement of Changes in Equity

Statement of Changes in Equity

	Bank's capital 1000 CHF	Statutory capital reserve 1000 CHF	Statutory retained earnings reserve 1000 CHF	Reserves for general banking risks 1000 CHF	Voluntary retained earnings reserves and profit/loss carried forward 1000 CHF	Result of the period 1000 CHF	Total 1000 CHF
Equity at 01.01.2018	10,330	-	5,165	7,000	206,172	7,778	236,445
Transfer of profits to retained earnings	-	-	-	-	7,778	-7,778	-
Dividends and other distributions	-	-	-	-	-7,778	-	-7,778
Employee Compensation Plans	-	-	-	-	58	-	58
Profit (result of the period)	-	-	-	-	-	35,123	35,123
Equity at 31.12.2018	10,330	-	5,165	7,000	206,230	35,123	263,848

C Notes to the Financial Statements

Information on the Balance Sheet

1 Presentation of collateral for loans/ receivables and off-balance-sheet transactions

		Secured by mortgage 1000 CHF	Other collateral 1000 CHF	Unsecured 1000 CHF	Total 1000 CHF
Amounts due from customers		–	758,255	100,946	859,201
Mortgage loans (residential property)		203,689	–	–	203,689
Total loans	Current year	203,689	758,255	100,946	1,062,890
	Previous year	230,208	800,027	98,229	1,128,464
Contingent liabilities		–	53,210	–	53,210
Irrevocable commitments		–	198,904	3,563	202,467
Revocable commitments		–	–	–	–
Total off-balance sheet transactions	Current year	–	252,114	3,563	255,677
	Previous year	–	191,469	17,902	209,371

Impaired loans/ receivables

		Gross debt amount 1000 CHF	Estimated realisable value of collateral 1000 CHF	Net debt amount 1000 CHF	Individual provisions 1000 CHF
Total bad and doubtful debts	Current year	–	–	–	–
	Previous year	–	–	–	–

Irrevocable commitments mainly represent commitments to third party funds where the Bank acts as nominee on behalf of its clients.

Irrevocable commitments without collateral mainly comprise credit lines extended to entities within the Rothschild & Co group and the commitment to the Swiss deposit protection scheme.

Revocable commitments mainly represent the sum of the unused credit limits where the Bank “soft” committed credit limits to clients. Soft commitment means that either the bank or the client have the right to terminate the facility at any time.

2 Breakdown of trading portfolios and other financial instruments at fair value

	31.12.2018 1000 CHF	31.12.2017 1000 CHF	Change	
			1000 CHF	%
Equity securities	1,272	1,710	–438	–25.6
Other financial instruments at fair value	412	855	–443	–51.8
Precious metals	103,069	113,089	–10,020	–8.9
Total	104,753	115,654	–10,901	–9.4

There were no trading portfolio liabilities in the current or previous year.

C Notes to the Financial Statements

3 Presentation of derivative financial instruments (assets and liabilities)

	Trading instruments		Contract volume 1000 CHF	
	Replacement value positive 1000 CHF	Replacement value negative 1000 CHF		
Foreign exchange/ precious metals	47,883	69,223	7,876,164	
Forward contracts	32,649	7,308	2,009,102	
Combined interest rate/ currency swaps	13,763	60,449	5,509,256	
Options (OTC)	1,471	1,466	357,806	
Equity securities/ indices	326	-	27,758	
Options (OTC)	326	-	27,758	
Total before consideration of netting contracts				
	Current year	48,209	69,223	7,903,922
	Previous year	19,364	33,347	5,870,952

There were no hedging instruments open and no netting applied at the current and previous business year-end.

Analysis of counterparties of derivative instruments

		Banks and securities dealers	Other customers	Total
		1000 CHF	1000 CHF	1000 CHF
Positive replacement values	Current year	42,697	5,512	48,209
	Previous year	14,098	5,266	19,364

4 Financial investments

	Book value		Fair value	
	31.12.2018 1000 CHF	31.12.2017 1000 CHF	31.12.2018 1000 CHF	31.12.2017 1000 CHF
Debt securities	24,857	26,415	24,905	26,510
of which, intended to be held to maturity	24,857	26,415	24,905	26,510
Total financial investments	24,857	26,415	24,905	26,510
of which, securities eligible for repo transactions in accordance with liquidity requirements	-	2,942	-	2,964

Counterparties by rating

	Aaa	Aa1-Aa3	A1-A2	Unrated	Total
	1000 CHF	1000 CHF	1000 CHF	1000 CHF	1000 CHF
Debt securities					
Book values	-	16,390	8,467	-	24,857
Previous year	-	14,669	11,746	-	26,415

Counterparties are rated according to Moody's ratings.

5 Other assets and liabilities

	Other assets		Other liabilities	
	31.12.2018 1000 CHF	31.12.2017 1000 CHF	31.12.2018 1000 CHF	31.12.2017 1000 CHF
Salary debtor and creditor accounts	1,442	2,965	–	2,121
Employer contribution reserves	–	598	–	–
Balances arising from internal bank business operations	9,079	777	9,573	3,444
Value added tax and withholding tax	459	83	1,539	1,353
Current tax assets and liabilities	–	–	1,736	1,291
Total other assets and other liabilities	10,980	4,423	12,848	8,209

6 Assets pledged or assigned to secure own commitments

	31.12.2018		31.12.2017	
	Book values 1000 CHF	Effective commitments 1000 CHF	Book values 1000 CHF	Effective commitments 1000 CHF
Amounts due from banks	40,307	–	31,919	4,171
Financial investments	24,857	24,857	26,415	26,415
Total	65,164	24,857	58,334	30,586

There were no assets under reservation of ownership during the current or previous year.

C Notes to the Financial Statements

7 Disclosure of liabilities relating to own pension schemes

	31.12.2018 1000 CHF	31.12.2017 1000 CHF	Change 1000 CHF	%
Liabilities to own pension plans	10,329	9,851	478	4.9

The disclosure for 2017 is based on an estimate for 'overfunding/underfunding' and actual contributions paid for the Swiss pension schemes. The disclosure for the year 2018 is based on the annual accounts of the Swiss pension schemes as of 31.12.2018.

Disclosures on the economic situation of own pension schemes

Employer's contribution reserves (ECR)							
1000 CHF	Nominal value	Waiver of use	Creation 2018	Net amount	Net amount	Influence of ECR on personnel expenses 2018	Influence of ECR on personnel expenses 2017
	31.12.2018	31.12.2018		31.12.2018	31.12.2017		
Personnel Foundation	598	–	–	598	598	–	–

Presentation of the economic benefit/obligation and the pension expenses

1000 CHF	Overfunding/ underfunding	Economic interest of bank	31.12.2017	Change in economic interest	Contributions paid	Pension expenses in personnel expenses	Pension expenses in personnel expenses
	31.12.2018	31.12.2018		2018	2018	2018	2017
Pension plans with overfunding	441	–	–	–	9,577	9,577	7,202

All employees of Rothschild & Co Bank AG and its Swiss subsidiaries are members of a defined contribution pension scheme, which covers the mandatory benefits specified in the BVG and super-obligatory benefits. A second supporting foundation provides further supplementary super-obligatory benefits.

8 Provisions and reserves for general banking risks

	Previous year end 1000 CHF	Use in conformity with designated purpose 1000 CHF	Past due interest, recoveries, currency differences 1000 CHF	New creations charged to income 1000 CHF	Releases to income 1000 CHF	Balance at current year end 1000 CHF
Provisions for other business risks	7,770	-4,338	-140	3,366	–	6,658
Other provisions	15,769	–	–	–	-15,769	–
Total provisions	23,539	-4,338	-140	3,366	-15,769	6,658
Reserves for general banking risks	7,000	–	–	–	–	7,000

There continue to be a number of regulatory developments and inquiries in the financial services industry and the Swiss private banking sector that may impact the Bank. The directors believe that the level of provisions made in these accounts for client litigation, legal and other costs is sufficient for any potential or actual proceedings or claims which are likely to have a material impact on the Bank's financial statements, where, based on information available at the reporting date, an outflow of resources will be required and the amount can be reliably estimated.

9 Schedule of bank's capital

	31.12.2018			31.12.2017		
	Total par value 1000 CHF	Number of shares	Capital eligible for dividend 1000 CHF	Total par value 1000 CHF	Number of shares	Capital eligible for dividend 1000 CHF
Share capital fully paid up	10,330	103,300	10,330	10,330	103,300	10,330

10 Number and value of equity securities or options on equity securities held by all executives and directors and by employees

	Equity securities Number		Equity securities Value in 1000 CHF		Options Number		Options Value in 1000 CHF	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Members of the board of directors	1,604	11,402	56	407	30,000	40,000	104	271
Members of executive bodies	10,732	25,508	374	912	80,000	80,000	277	–
Employees	4,063	2,321	141	83	–	–	–	–
Total	16,399	39,231	571	1,402	110,000	120,000	381	271

Equity securities are the publicly listed securities of Rothschild & Co, the ultimate parent company.

The Bank participates in long-term profit share schemes for the benefit of employees. The costs of such schemes are recognised in the income statement over the period in which the services are rendered that give rise to the obligation. Where the payment of profit share is deferred until the end of a specified vesting period, the deferred amount is recognised in the income statement over the period up to the date of vesting.

Under the equity schemes, senior management of the Rothschild & Co group was required to invest in Rothschild & Co shares and received four options for each share invested. Shares invested are subject to a four-year lock-up period, and the share options granted are subject to a vesting period before exercise. The value of the options reported is the intrinsic value at the year end closing.

Under the 2015/16, 2016/17 and 2017 share plans, persons who have variable compensation which attracts deferrals/retentions and the delivery of non-cash incentives accordingly, as determined by Group Human Resources, were awarded 15 percent of their variable compensation as non-cash instruments. These shares are subject to a lock-up period and vest in three tranches over the three following years.

11 Disclosure of amounts due from and due to related parties

	Amounts due to		Amounts due from	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Holders of qualified participations	81,385	112,502	89,136	88,965
Group companies	13,251	8,620	3,868	3,349
Linked companies	1,359,891	1,075,874	36,272	19,471
Other related parties	–	8,620	–	9,319
Total	1,454,527	1,205,616	129,276	121,104

Transactions with affiliated persons and companies (in particular parent and subsidiary companies) such as securities transactions, granting loans and account interest are carried out at the conditions offered to third parties. Members of the Executive Committee (ExC) and the internal audit department are offered the Bank's normal conditions for employees. Members of the Board are charged at least the Bank's normal conditions for employees.

C Notes to the Financial Statements

12 Holders of significant participations and groups of holders of participations with pooled voting rights

	31.12.2018		31.12.2017	
	Nominal 1000 CHF	Participation % of Equity	Nominal 1000 CHF	Participation % of Equity
Rothschild & Co Holding AG	10,330	100.0	10,330	100.0
Significant Shareholders of Rothschild & Co Holding AG:	-	-	-	-
Rothschild & Co Continuation Holdings AG ¹⁾	9,708	90.5	9,708	90.5
Edmond de Rothschild (Suisse) S.A.	-	-	1,016	9.5

¹⁾The majority of the share capital of Rothschild & Co Continuation Holdings AG is directly or indirectly held by a group of shareholders which consists of Rothschild Family members (through Rothschild & Co Concordia SAS or other members of the Rothschild Family concert). The members of this group own a controlling interest in Rothschild & Co SCA, Paris, which controls Paris Orléans Holding Bancaire SAS. The latter controls Concordia Holding Sarl, which controls Rothschild & Co Concordia AG, Zug, which in turn owns a controlling stake in Rothschild & Co Continuation Holdings AG, Zug.

13 Breakdown of total assets by credit rating of country groups

Bank's own country rating	Standard & Poor's	31.12.2018		31.12.2017	
		Net foreign exposure 1000 CHF	Share in %	Net foreign exposure 1000 CHF	Share in %
1	A	70,497	6.10	70,301	5.79
2	Aa	515,467	44.58	489,501	40.33
3	Aaa	491,040	42.46	557,668	45.95
4	B	652	0.06	493	0.04
5	Ba	14,433	1.25	11,062	0.91
6	Baa	38,462	3.33	27,563	2.27
7	Caa and below	25,812	2.23	57,147	4.71
Total	Total	1,156,363	100.00	1,213,735	100.00

Information on Off-Balance Sheet Transactions

14 Breakdown of fiduciary transactions

	31.12.2018	31.12.2017	Change	
	1000 CHF	1000 CHF	1000 CHF	%
Fiduciary placements with third-party companies	1,343,609	781,415	562,194	71.9
Fiduciary placements with group companies and linked companies	446,869	59,264	387,605	654.0
Total	1,790,478	840,679	949,799	113.0

15 Managed assets

	31.12.2018 CHF Mio.	31.12.2017 CHF Mio.	Change	
			CHF Mio.	%
Managed assets				
Assets in collective investment schemes managed by the Bank	202	285	-83	-29.1
Assets under discretionary asset management mandates	3,815	3,664	151	4.1
Other managed assets	7,790	8,244	-454	-5.5
Total managed assets (including double counting)	11,807	12,193	-386	-3.2
of which, double counting	202	285	-83	-29.1
Total managed assets (including double counting) at the beginning of the year	12,193	11,788	405	3.4
+/- net new money inflow or net new money outflow	497	-211	708	-335.5
+/- price gains/ losses, interest, dividend and currency gains/ losses	-535	616	-1,151	-186.9
+/- other effects	-348	-	-348	
Total managed assets (including double counting) at the end of the year	11,807	12,193	-386	-3.2
Custody assets	1,869	969	900	92.9
Total assets (including double counting)	13,676	13,162	514	3.9

Client assets include deposits as well as the market value of securities, precious metals and fiduciary investments. Net new assets consist of all external cash deposits and withdrawals on client accounts as well as all external in- and outflows from/ into client deposits. Interest and dividend income are not taken into account.

Managed assets cover both assets deposited with Group companies and assets deposited at third-party institutions for which the Bank holds a management mandate. It also includes other client assets on which the Bank earns more than a defined threshold.

C Notes to the Financial Statements

Information on the Income Statement

16 Result from trading activities

	12m 2018 1000 CHF	9m 2017 1000 CHF	Change	
			1000 CHF	%
Equity securities (including funds)	291	348	-57	-16.4
Foreign currencies	14,336	10,391	3,945	38.0
Commodities/precious metals	342	630	-288	-45.7
Total result from trading activities	14,969	11,369	3,600	31.7

17 Other ordinary income and expenses

	12m 2018 1000 CHF	9m 2017 1000 CHF	Change	
			1000 CHF	%
Fees from affiliated parties for office services	13,084	8,691	4,393	50.5
Total	13,084	8,691	4,393	50.5

18 Negative interest

	12m 2018 1000 CHF	9m 2017 1000 CHF	Change	
			1000 CHF	%
Negative interest paid	-23,214	-18,349	-4,865	26.5
Negative interest received	957	715	242	33.8

19 Personnel expenses

	12m 2018 1000 CHF	9m 2017 1000 CHF	Change	
			1000 CHF	%
Salaries	-46,286	-35,941	-10,345	28.8
of which expenses relating to share-based compensation	-48	-103	55	-53.4
Social insurance benefits	-9,161	-7,556	-1,605	21.2
Other personnel expenses	-2,743	-1,567	-1,176	75.0
Total personnel expenses	-58,190	-45,064	-13,126	29.1

20 General and administrative expenses

	12m 2018 1000 CHF	9m 2017 1000 CHF	Change	
			1000 CHF	%
Office space expenses	-939	-610	-329	53.9
Expenses for information and communications technology	-10,787	-7,734	-3,053	39.5
Expenses for vehicles, equipment, furniture and other fixtures	-804	-1,272	468	-36.8
Fees of audit firms	-749	-667	-82	12.3
of which, for financial and regulatory audits	-749	-667	-82	12.3
Other operating expenses	-5,756	-6,933	1,177	-17.0
Total	-19,035	-17,216	-1,819	10.6

21 Extraordinary income and expense

	12m 2018 1000 CHF	9m 2017 1000 CHF	Change	
			1000 CHF	%
Other extraordinary income	16,564	1,151	15,413	1,339.1
Transactional tax expense related to prior year	-	-1,100	1,100	-100.0
Other extraordinary expense	-754	-	-754	-
Total	15,810	51	15,759	30,900.0

Other extraordinary income in 2018 related to the utilization of untaxed reserves, settlement/ closing of prior year tax obligations and a gain on liquidation of a subsidiary.

Other extraordinary expense in 2018 relates to loss on sale of participations and expense relating to settlement of tax related to sale of real estate in previous year.

22 Taxation

	12m 2018 1000 CHF	9m 2017 1000 CHF	Change	
			1000 CHF	%
Expenses for deferred taxes	-	-	-	-
Expenses for current taxes	-4,558	-2,038	-2,520	123.7
Total	-4,558	-2,038	-2,520	123.7
Average tax rate based on operating result	19.0	20.9		

23 Significant events after the balance sheet date

In the 4th quarter of 2018 Rothschild & Co signed an agreement for the sale of its Trust business. The sale of the Trust business is expected to be completed in the 1st quarter of 2019. As of the balance sheet date the sale of the Trust business has had no impact on the financial position of Rothschild & Co Bank AG Parent.

Other than above, no events have occurred since the balance sheet date which would change the financial position of the Rothschild & Co Bank AG Parent and which would require adjustment or disclosure in the 2018 Annual Report now presented.

D Accounting and Valuation Principles

General Principles

The accounting and valuation principles comply with the Swiss Code of Obligations, the Bank law, including the Swiss Financial Market Supervisory Authority guidelines as required for non-consolidated banks, and Statutory directives.

Accounting and Recording of Transactions

All transactions effected up to and including the balance sheet date are accounted for on the trade date and are, from this date on, stated and assessed according to the principles laid out below.

Foreign Currency Translation of the Financial Statements

Transactions in foreign currencies are translated at the foreign exchange rate prevailing at the date of the transaction. Assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Swiss francs at the foreign exchange rate ruling at the balance sheet date.

Foreign exchange rates used

	31.12.2018	31.12.2017
EUR	1.1288	1.1709
GBP	1.2629	1.3179
USD	0.9868	0.9748

Liquid Assets, Amounts Due from and to Banks, and Amounts Due in Respect of Client Deposits

Assets and liabilities are stated in the balance sheet at their nominal value.

Amounts Due from Clients

Amounts due from clients are stated in the balance sheet at their nominal value.

Claims – taking all off-balance sheet items into account – which the debtor will be unlikely to satisfy in future are covered by individual provisions. These are classified as non-performing if interest and capital payments are overdue for more than 90 days. Individual provisions are deducted directly from the corresponding asset positions.

Claims considered as uncollectible are written off against the individual provisions made.

Trading Portfolios in Securities and Precious Metals

Securities and precious metals in trading portfolios and in financial instruments at fair value are in principle stated at the fair value. The price obtained on a price-efficient and liquid market is taken as the fair value, which as a rule corresponds to the market value. If in exceptional cases there is no fair value available, securities and precious metals in trading portfolios will be valued and stated at the lower of cost or market value. Changes in the value of precious metals positions is shown in result from trading operations and the fair value option.

Interest, discount and dividend income from trading securities are set off against refinancing expenses and are included in income from trading operations.

Financial Investments

Fixed income securities that are planned to be held until maturity are valued by the accrual method. Premiums and discounts are amortised over the remaining life of the respective security and are recognised in interest and dividend income on financial investments. Other financial investments are valued at the lower of cost or market value.

Participations

Participations are stated at cost less depreciation. The Bank applies a single valuation method as described in BAG-FINMA paragraph 17.

Fixed Assets

Fixed assets are valued at cost less depreciation over an expected useful lifetime of maximum ten years for outfitting costs, maximum ten years for the components of the IT platform (host system), maximum six years for other tangible fixed assets and maximum three years for IT assets. Bank buildings and other properties are depreciated to a base level generally accepted by the tax authorities. The value is reviewed on a regular basis. If a review reveals an impairment in value, an additional write-off is made. The remaining book value is subsequently written down over the residual useful lifetime. If the review reveals a change in the useful lifetime, the remaining book value is written down as planned over the adjusted useful life. Small investment outlays are charged directly to operating expenses at the time of purchase.

Derivative Instruments

Derivative financial instruments are stated at fair value. The positive and negative replacement values are included in the balance sheet. Unrealised/realised gains are booked to results from trading operations.

Pensions

Pension liabilities are treated according to Swiss GAAP FER 16 (accounting standard for pension benefit obligations relevant for Swiss Banking GAAP). The employer's contributions according to the defined contribution pension plans are included within personnel expenses.

Valuation Adjustments and Provisions

Claims that a debtor will be unlikely to satisfy in the future are covered by individual valuation adjustments. Individual valuation adjustments are deducted directly from the corresponding asset positions. Individual valuation adjustments and individual provisions are made for all other recognisable loss risks according to the principle of prudence.

From time to time the Bank is involved in legal proceedings or receives claims arising from the conduct of its business. Based upon available information and, where appropriate, legal advice, provisions are made where it is probable that an outflow of resources will be required and the amount can be reliably estimated.

Income Tax

Current taxes are recurring taxes on capital and income. Current taxes are determined in accordance with the local fiscal regulations on ascertaining profits and capital tax and are stated as expenses during the accounting period. Taxes owed are recorded in accrued expenses.

Fiduciary Placement Activities

The Bank acts as custodian and in other fiduciary capacities that result in the holding or placing of assets on behalf of customers. These assets and the interest income arising thereon are excluded from these financial statements, as they are not assets of the Bank.

Contingent Liabilities and Fiduciary Operations

Transactions resulting from these activities are stated off-balance sheet at their face value. For recognisable risks, provisions are made and recorded under liabilities.

E Notes on Risk Management

General Principles

The Board of Directors of the Rothschild & Co Bank AG Zürich considers a prudent and active approach to risk as a precondition for the sustained and long-term successful business operation of the Bank. The Board is responsible for the stipulation of the risk policy. The Board of Directors has released a Risk Regulation, which takes into account both the circumstances of the business activities of the Bank and its subsidiaries and also reflects the capital funds situation of the Group, the interest of the shareholders and the regulatory environment. The risk policy is constantly monitored and amended if necessary.

The formal methodology of the risk policy relates primarily to the observance of quantitative risk limits for all risk types. Risk diversification utilizes more qualitative aspects and working procedures are installed for the management of operational risks. At the same time, great importance is attached to the risk awareness of the management bodies and all Group staff. Hence the Board of Directors and the Executive Committee pursue an open risk culture which is also implemented by responsible, careful and professional behaviour from all employees. The Group consciously depends on a risk culture based on the personal integrity, specialist competence and risk awareness of each individual and undertakes the necessary steps to ensure that these qualifications are carried by all its employees.

The implementation of the risk policy is delegated to the Bank's Executive Committee: the ExC. The ExC is supported in this by the Risk Department, which is independent from trading and client-related services and which monitors compliance with limits and the risk policy.

In its management and control of the risks, the Bank has implemented the three lines of defence model, with the business functions being the first line responsible for the management and primary controls of their respective risks. Second line defence is ensured through secondary controls conducted by support units independent from the business functions, mainly the Risk, Legal and Compliance and Finance Departments. Internal and External Audit constitute the third line of defence.

Credit Risk

Credit risk describes the potential for loss as a result of insolvency of a client or counterparty. A potential loss arises in particular when maturing loans or other financial obligations to the Bank are not repaid or cannot be repaid when due. For this reason loans and other credits are only granted after taking into account fundamental principles of caution. Since the banking business is strongly focused on private banking, loans are mainly granted against collateral in the form of pledged well-diversified investment portfolios or as mortgages on a case by case basis. Credit exposures that are considered to be at risk, or where the collectability of the debt is doubtful, are assessed individually and where necessary impairment provisions are taken against the exposure.

The competencies for loan approvals and the monitoring of credit positions are subject to clear rules and supervised by staff members independent of the client advisers. The Board of Directors and the Executive Committee have laid down clear guidelines for loanable values and the pledging of assets (collateral). In general, assets serving as collateral are held in the Bank's custody and pledged in favour of the Bank under contractual agreements. The loanable values of the pledged assets, which are derived from market values, are compared daily to the loan commitments secured and are subject to constant monitoring. If coverage threatens to become insufficient, necessary steps are taken to re-establish the necessary loanable value or to reduce the credit exposure. The Bank can resort to partial or full liquidation of the collateral or call the client for additional assets (margin call). If in exceptional cases no published market value is available for pledged assets, internal valuations calculated using standard banking methods will be applied. General principles have also been set out that aim for appropriate diversification of loan commitments and collateral. The concentration of risks on one client or counterparty or on one group of linked clients or counterparties is constantly monitored and appropriate measures are taken to avoid the emergence of large exposures.

Credit exposures resulting from our lending businesses are reviewed by the Private Client Credit Committee on a quarterly basis. Loans that are considered to be at risk, where the collectability of the debt is doubtful, are assessed individually and where necessary, impairment provisions are taken against the exposure.

Counterparties are defined as banks or brokers with which the Bank trades or from which it purchases services. Counterparties are carefully selected on the basis of their creditworthiness, drawing on external ratings. Internal limits have to be approved by the competent bodies according to the risk policy and internal guidelines. Counterparty exposures are monitored daily by the Risk Department and are reviewed regularly by the Bank's Treasury Committee, the ExC and the Audit and Risk Committee.

Liquidity Risk

Liquidity risk describes the risk that in some circumstances, for example changed market conditions, the Bank might not be able to meet all its payment obligations as and when they fall due. The Bank's funding needs, largely resulting from its lending activities, are met by the Bank's equity and client deposits. In addition, the Bank maintains committed liquidity facilities with clearing institutions for the exceptional event that counterparties or clients do not meet their settlement obligations punctually. Compliance with the liquidity rules as set out in the respective external and internal regulations are constantly monitored by the Risk Department, and are reported to the Treasury Committee, the ExC and the Audit and Risk Committee.

E Notes on Risk Management

Market Risk

Market risk describes the risk that the Bank could suffer losses as a result of changes in the financial markets (interest rates, FX rates, share prices). The business policy of the Bank is to only permit open market risk positions to a small degree in relation to client business volumes and available capital funds. The Bank incurs some FX risk through its proprietary FX trading book. These trading positions are valued daily. Calculation of risk positions and monitoring of compliance with the limits is performed independently by the Risk Department.

With very few exceptions, loans are generally extended with floating interest rates. The risk associated with the small proportion of loans with fixed interest rates is offset by means of Interest Rate Swaps. The Treasury Committee oversees interest rate risk in the banking book and monitors the balance sheet structure. The Bank buys and sells derivatives arising from client activities in order to manage market risks. All such transactions are carried out within the guidelines defined by the Bank's Treasury Committee.

Operational Risk

Operational risk entails the possibility that losses may be incurred directly or indirectly due to the inappropriateness or failure of internal procedures, persons or systems or due to external events that cannot be influenced. This definition also comprises the risk of fraud and the potential reputation damages associated with operational risk events. In accordance with regulatory requirements and best practice standards in banking and the Bank's dedication to ensure high quality services for its clients, the Executive Committee has implemented an operational risk management framework consisting of internal policies and procedures on organisation setup and controls, which are designed to maintain operational integrity at a high level. Particular attention is given to the quality and skills of staff, the segregation of duties, the careful selection of counterparties and the security of the central computer systems and networks. The Internal Audit department reviews the procedures and internal controls at regular intervals. Due to an escalation procedure it is assured that the responsible line management is adequately involved in the reporting and analyses process.

The Board of Directors has acknowledged the key operational risks of the Bank and has issued a qualitative risk appetite statement and, to the extent feasible, quantitative limits expressed by Key Risk Indicators for the measurement and limitation of operational risk.

Legal Risks and Compliance

Legal and compliance risks are the risks associated with non-adherence to applicable laws and regulations in all jurisdictions the Bank operates, and the risk the Bank exposes itself to as a result of violation of internal rules and policies. Non-enforceability of legal contracts and the Bank's inability to fulfil its contractual obligations also expose the Bank to legal risk. In order to monitor and mitigate legal and regulatory risks, the Bank maintains a Legal and Compliance Department. This department ensures that the Bank's business activities are conducted in accordance with the applicable regulations and the obligation of financial intermediaries to observe due diligence. If required, external legal advice is sought.



Report of the Statutory Auditor on the Financial Statements



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Report of the Statutory Auditor to the General Meeting of Shareholders of

Rothschild & Co Bank AG, Zurich

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the financial statements of Rothschild & Co Bank AG, which comprise the balance sheet, income statement, statement of changes in equity and notes (page 46 to 62) for the year ended 31 December 2018.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2018 comply with Swiss law and the company's articles of incorporation.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG



Thomas Dorst
*Licensed Audit Expert
Auditor in Charge*



Christian Anderegg
Licensed Audit Expert

Zurich, 21 February 2019

KPMG AG, Badenerstrasse 172, PO Box, CH-8036 Zurich

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Capital Adequacy and Liquidity

Regulatory Key Figures

	31.12.2018 1000 CHF	30.9.2018 1000 CHF	30.6.2018 1000 CHF	31.3.2018 1000 CHF	31.12.2017 1000 CHF
Available capital (amounts)					
Common Equity Tier 1 (CET1)	205,157				203,924
Tier 1	205,157				203,924
Total capital	205,157				216,268
Risk-weighted assets (amounts)					
Total risk-weighted assets (RWA)	764,655				685,229
Minimum capital requirements (CHF)	61,172				54,816
Risk-based capital ratios (as a percentage % of RWA)					
CET1 ratio (%)	26.83%				29.76%
T1 ratio (%)	26.83%				29.76%
Total capital ratio (%)	26.83%				31.56%
Additional CET1 requirements (buffers) as a percentage of RWA					
Capital conservation buffer requirement according to Basel minimum requirements (%)	1.88%				1.25%
Total of bank CET1 specific buffer requirements according to Basel minimum requirements (%)	1.88%				1.25%
CET1 available after meeting the bank's minimum capital requirements (%)	18.83%				23.56%
Target capital ratios according to Annex 8 of the Capital Adequacy Ordinance (CAO) (% of RWA)					
Capital conservation buffer according to CAO, Annex 8 (%)	3.20%				3.20%
Countercyclical capital buffer according to CAO, Art. 44 and Art. 44a (%)	0.0047%				0.0003%
CET1 capital target (%) according to CAO, Annex 8 + countercyclical buffer according to CAO, Art. 44 and 44a	7.40%				7.40%
T1 capital target according to CAO, Annex 8 + countercyclical buffer according to CAO, Art. 44 and 44a	9.00%				9.00%
Total capital target according to CAO, Annex 8 + countercyclical buffer according to CAO, Art. 44 and 44a	11.20%				11.20%
Basel III Leverage Ratio					
Total Basel III leverage ratio exposure measure (CHF)	5,067,495				4,893,124
Basel III Leverage Ratio	4.05%				4.17%
Liquidity Coverage Ratio					
Total HQLA	3,364,376	3,425,378	3,523,485	3,077,403	3,198,099
Total net cash outflow	2,517,287	2,497,143	2,361,063	1,937,478	2,092,054
Liquidity Coverage Ratio (LCR) (%)	133.65%	137.17%	149.23%	158.84%	152.87%



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Lemin de fer
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